

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>City of Negaunee, Michigan</i>		County <i>Marquette</i>
Audit Date <i>12/31/05</i>	Opinion Date <i>2/3/06</i>	Date Accountant Report Submitted to State: <i>6-27-06</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <i>Anderson, Tackman & Co. PLC</i>			
Street Address <i>102 W. Washington, Suite 109</i>	City <i>Marquette</i>	State <i>MI</i>	ZIP <i>49855</i>
Accountant Signature <i>Rebecca Hill, CPA</i>			

CITY OF NEGAUNEE, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Negaunee, Michigan, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component unit, major funds and remaining fund information of the City of Negaunee, Michigan at December 31, 2005, and changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 49 through 55 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, on our consideration of City of Negaunee, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules listed as other financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Negaunee, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Negaunee's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. Please read it in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$1,083,571 as a result of this year's operations. Net assets of our business-type activities increased by \$1,142,855, or 10 percent, and net assets of our governmental activities decreased by \$59,284, or 2 percent.
- During the year, the City had expenses for governmental activities that were \$4,749,160 and generated \$4,689,876 in general revenues and other program sources.
- The City's business-type activities had expenses of \$3,647,749 and generated \$4,790,604 in revenues.
- The general fund reported a net change in fund balance of \$(18,817).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, electric, water and cable systems and activities are reported here.
- *Component Units* – The City includes one separate legal entity in its report – The Negaunee Housing Commission. Although legally separate, this component unit is included because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2005 and 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$2,633,918	\$2,653,623	\$6,459,300	\$6,321,343	\$9,093,218	\$8,974,966
Noncurrent assets	-	-	788,144	781,434	788,144	781,434
Capital assets, net	2,733,727	2,701,626	11,802,832	10,796,605	14,536,559	13,498,231
Total Assets	5,367,645	5,355,249	19,050,276	17,899,382	24,417,921	23,254,631
Current liabilities	1,606,179	1,490,664	1,013,160	755,295	2,619,339	2,245,959
Noncurrent liabilities	233,485	277,320	5,763,180	6,013,006	5,996,665	6,290,326
Total Liabilities	1,839,664	1,767,984	6,776,340	6,768,301	8,616,004	8,536,285
Net Assets:						
Invested in capital assets, net of related debt	2,612,817	2,564,756	7,066,832	5,946,605	9,679,649	8,511,361
Restricted	90,709	89,057	226,000	226,000	316,709	315,057
Unrestricted	824,455	933,452	4,981,104	4,958,476	5,805,559	5,891,928
Total Net Assets	\$3,527,981	\$3,587,265	\$12,273,936	\$11,131,081	\$15,801,917	\$14,718,346

Net assets of the City's governmental activities stood at \$3,527,981. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$824,455.

The \$824,455 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$12,273,936. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$1,005,825	\$862,107	\$3,851,979	\$3,804,492	\$4,857,804	\$4,666,599
Operating grants and contributions	1,293,361	876,865	-	-	1,293,361	876,864
Capital grants and contributions	-	-	1,158,567	-	1,158,567	-
General revenues:						
Property taxes	1,359,487	1,319,050	-	-	1,359,487	1,319,050
Unrestricted intergovernmental sources	609,250	614,596	-	-	609,250	614,596
General revenues:						
Investment earnings	39,725	27,545	123,541	71,199	163,266	98,744
Miscellaneous	24,628	43,814	14,117	12,178	38,745	55,992
Total Revenues	4,332,276	3,743,977	5,148,204	3,887,869	9,480,480	7,631,846
Program Expenses:						
General Government	1,891,296	1,425,289	-	-	1,891,296	1,425,289
Public health and safety	709,933	799,613	-	-	709,933	799,613
Public works	1,702,710	1,635,605	-	-	1,702,710	1,635,605
Parks and recreation	173,338	185,789	-	-	173,338	185,789
Cemetery	96,429	118,145	-	-	96,429	118,145
Library	132,701	140,576	-	-	132,701	140,576
Interest on long-term debt	6,623	2,820	-	-	6,623	2,820
Depreciation – unallocated	36,130	36,130	-	-	36,130	36,130
Sewer	-	-	955,337	948,608	955,337	948,608
Electric	-	-	1,512,297	1,440,826	1,512,297	1,440,826
Water	-	-	786,178	798,913	786,178	798,913
Cable	-	-	393,937	385,515	393,937	385,515
Total Expenses	4,749,160	4,343,967	3,647,749	3,573,862	8,396,909	7,917,829
Excess (deficiency) before transfers	(416,884)	(599,990)	1,500,455	314,007	1,083,571	(285,983)
Transfers	357,600	275,700	(357,600)	(275,700)	-	-
Increase (decrease) in net assets	(59,284)	(324,290)	1,142,855	38,307	1,083,571	(285,983)
Net assets, beginning	3,587,265	3,911,555	11,131,081	11,092,774	14,718,346	15,004,329
Net Assets, Ending	\$3,527,981	\$3,587,265	\$12,273,936	\$11,131,081	\$15,801,917	\$14,718,346

The City's total revenues were \$9,480,480. The total cost of all programs and services was \$8,396,909, leaving an increase in net assets of \$1,083,571. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the governmental activities decreased by \$59,284. The net decline is due mainly to expenditures increasing while revenues are decreasing.

A structural imbalance of revenues from traditional sources such as state shared revenues and the property tax has been created from legislature action and initiatives. Purchase for commodities such as gasoline, natural gas, health insurance, and utility pip have increased at rates faster than revenues. Adjustments will be required to set fees and services in alignment.

Table 3 presents the cost of each of the three largest programs – General Government, Public Works and Public Health and Safety, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**Table 3**
Governmental Activities

	Total Cost of Services	Net Cost of Services
General government	\$1,891,296	\$1,263,223
Public works	1,702,710	234,660
Public health and safety	709,933	689,978

Business-type Activities

The net assets of the business-type activities increased \$1,142,855. The net increase is a result of capital contributions in the Sewer Fund related to the Sewage Disposal System Improvement Project.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a *combined* fund balance of \$1,044,252, a decrease of \$172,368 from the beginning of the year.

The total decline of \$172,368 consists primarily of a decline in the General Fund of \$18,817, a decline in the Major Street Fund of \$54,761 and a decline in the Economic Development Fund of \$104,312 combined with net increases in other governmental funds of \$5,522.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the budget a few times. With these adjustments, actual charges to expenditures were \$21,855 more than the final amended budget. Conversely, revenues were \$29,075 more than the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

At the end of fiscal 2005, the City had \$14,536,559 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2005	Business-type Activities – 2005	Totals – 2005
Land	\$1,042,335	\$40,000	\$1,082,335
Construction in progress	67,807	1,033,730	1,101,537
Buildings and improvements	940,381	9,970,594	10,910,975
Equipment and furnishings	422,637	758,508	1,181,145
Infrastructure	260,567	-	260,567
Totals	\$2,733,727	\$11,802,832	\$14,536,559

In 2005, the City's major capital additions included fire equipment, vactor truck, water tower painting and repair and street improvements to Snow and Cyr Street.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

In 2006, the City plans to replace a police patrol vehicle, prepare cable television for digital service required by the FCC, seek repairs to the fire station through grant funds, repair and replace sidewalks, replace and improve the Teal Lake retaining wall, install a new 16" force main and three new sanitary sewer pump stations, replace a failed community septic system, and replace sanitary sewer mains and a water main on Cliff Street and Ridge Street.

Debt

At year-end, the City had \$6,438,618 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2005	Business-type Activities – 2005	Totals- 2005
Bonds	\$69,040	\$4,736,000	\$4,805,040
Contracts and notes payable	51,870	1,581,708	1,633,578
Totals	<u>\$120,910</u>	<u>\$6,317,708</u>	<u>\$6,438,618</u>

Further details on long-term debt can be found in Note G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2006 budget.

Communities throughout Michigan are struggling to find ways seeking to provide appropriate services to residents, businesses, and visitors. The City of Negaunee is one of many communities which have experienced transitional difficulties as traditional sources of revenues from local property taxes and State shared revenues from the income tax, sales tax, and motor fuel tax have not kept pace with cost increases. Detailed information showing these trends can be found throughout this report.

While the City is addressing this issue by reducing staff, improving efficiencies, deferring capital spending, reallocating costs and in some cases reducing services, many residents in the community are experiencing the same challenges with their personal finances. They have experienced small wage increases while seeing large increases in the cost of insurance, gasoline, natural gas, and telecommunication services. No early reversal of these trends appears likely.

For the City, continued attention to reducing costs, increasing efficiency, and considering new ways to provide services must occur. Careful examinations seeking to eliminate noncritical services will be ongoing. Deferring expenditures for capital maintenance and investment needs to be reversed. Much creative work is needed to seek out and explore more efficient and effective materials, methods, equipment, and to improve discussions, and communications with the public and elected officials to meet the challenges of the early 21st century and our new era of globalism.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

One area to explore for achieving better cost efficiency is through cooperation and sharing of resources with other governmental and not for profit agencies. Manpower, equipment, facilities, and know how needs to transcend traditional service boundaries if governments are to think first and foremost about the best interests of their residents.

These changes while necessary will not come easily. Employees will need to feel appreciated and not threatened by new ideas and alternative ways to provide services. They will need to be included when considering how to best provide services to the public. Public leaders will be required to understand complex issues as community decision makers and volunteers.

Communicating the issues and challenges inherent in providing quality municipal services in ways which are meaningful and understandable to all residents, has increasingly become important to develop the support necessary to implement difficult choices, which are required to be made. Outreach and understanding to employees, and residents can help to ease the difficult choices which lie ahead.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Negaunee, P.O. Box 70, Negaunee, Michigan, 49866.

City of Negaunee, Michigan
STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government			
	Governmental	Business Type	Total	Component
	Activities	Activities		Unit
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 446,863	\$ 3,493,592	\$ 3,940,455	\$ 380,829
Restricted assets - cash	-	2,625,856	2,625,856	-
Investments	-	-	-	160,454
Receivables (net)	2,187,055	339,852	2,526,907	10,818
Other current assets	-	-	-	23,977
TOTAL CURRENT ASSETS	2,633,918	6,459,300	9,093,218	576,078
Noncurrent assets:				
Unamortized bond issue costs	-	78,797	78,797	-
Investment in U.P.P.A. Electric Utility	-	165,472	165,472	-
Investment in Joint Water Authority	-	543,875	543,875	-
Capital assets:				
Land and construction in progress	1,110,142	1,073,730	2,183,872	-
Other capital assets	9,467,143	19,872,433	29,339,576	3,746,901
Accumulated depreciation	(7,843,558)	(9,143,331)	(16,986,889)	(2,404,314)
Total Capital Assets	2,733,727	11,802,832	14,536,559	1,342,587
TOTAL NONCURRENT ASSETS	2,733,727	12,590,976	15,324,703	1,342,587
TOTAL ASSETS	5,367,645	19,050,276	24,417,921	1,918,665
LIABILITIES:				
Current Liabilities:				
Accounts payable	204,764	399,216	603,980	380
Accrued liabilities	66,902	46,700	113,602	52,011
Compensated absences	441	64,262	64,703	-
Deferred revenue	1,317,559	-	1,317,559	-
Current portion of bonds payable	11,513	114,000	125,513	-
Current portion of notes payable	5,000	162,054	167,054	-
Other current liabilities	-	226,928	226,928	-
TOTAL CURRENT LIABILITIES	1,606,179	1,013,160	2,619,339	52,391
Noncurrent Liabilities:				
Compensated absences	129,088	-	129,088	10,602
Bonds payable	57,527	4,622,000	4,679,527	-
Long-term contracts and notes payable	46,870	1,419,654	1,466,524	-
Less deferred discount on refunding	-	(278,474)	(278,474)	-
TOTAL NONCURRENT LIABILITIES	233,485	5,763,180	5,996,665	10,602
TOTAL LIABILITIES	1,839,664	6,776,340	8,616,004	62,993
NET ASSETS				
Invested in capital assets net of related debt	2,612,817	7,066,832	9,679,649	1,342,587
Restricted for:				
Debt Service	-	226,000	226,000	-
Other activities	90,709	-	90,709	-
Unrestricted	824,455	4,981,104	5,805,559	513,085
TOTAL NET ASSETS	\$ 3,527,981	\$ 12,273,936	\$ 15,801,917	\$ 1,855,672

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
Primary Government:						
Governmental Activities:						
General government	\$ 1,891,296	\$ 17,064	\$ 611,009	\$ -	\$ (1,263,223)	\$ -
Public health and safety	709,933	7,232	3,723	-	(698,978)	-
Public works	1,702,710	796,847	671,203	-	(234,660)	-
Parks and recreation	173,338	122,843	-	-	(50,495)	-
Cemetery	96,429	61,839	-	-	(34,590)	-
Library	132,701	-	7,426	-	(125,275)	-
Interest on long-term debt	6,623	-	-	-	(6,623)	-
Depreciation - unallocated	36,130	-	-	-	(36,130)	-
Total Governmental Activities	4,749,160	1,005,825	1,293,361	-	(2,449,974)	-
Business Type Activities:						
Sewer	955,337	870,908	-	1,158,567	-	1,074,138
Electric	1,512,297	1,818,159	-	-	-	305,862
Water	786,178	746,298	-	-	-	(39,880)
Cable	393,937	416,614	-	-	-	22,677
Total Business Type Activities	3,647,749	3,851,979	-	1,158,567	-	1,362,797
TOTAL PRIMARY GOVERNMENT	\$ 8,396,909	\$ 4,857,804	\$ 1,293,361	\$ 1,158,567	(2,449,974)	(1,087,177)
COMPONENT UNIT:						
Negaunee Housing Commission	\$ 447,960	\$ 247,603	\$ 134,374	\$ -	-	(65,983)
General Revenues:						
Property taxes					1,359,487	1,359,487
Unrestricted intergovernmental sources					609,250	609,250
Interest and investment earnings					39,725	123,541
Miscellaneous					24,628	14,117
Transfers					357,600	(357,600)
TOTAL GENERAL REVENUES, TRANSFERS,					2,390,690	(219,942)
CHANGE IN NET ASSETS					(59,284)	1,083,571
Net assets, beginning of year					3,587,265	11,131,081
NET ASSETS, END OF YEAR					\$ 3,527,981	\$ 12,273,936
						\$ 15,801,917
						\$ 1,855,672

The accompanying notes are an integral part of these financial statements

City of Negaunee, Michigan
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 678,887	\$ -	\$ 298,598	\$ 977,485
Accounts receivable, net	100,887	-	-	100,887
Taxes receivable	962,497	-	-	962,497
Due from other governments	207,796	488,889	59,337	756,022
Due from other funds	382,977	-	-	382,977
Other assets	-	-	-	-
TOTAL ASSETS	\$ 2,333,044	\$ 488,889	\$ 357,935	\$ 3,179,868
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Cash overdraft	\$ -	\$ 488,469	\$ 42,153	\$ 530,622
Accounts payable	106,603	420	68,008	175,031
Accrued salaries	66,902	-	-	66,902
Accrued sick and vacation leave	441	-	-	441
Due to other funds	29,733	-	15,328	45,061
Deferred revenue	1,317,559	-	-	1,317,559
TOTAL LIABILITIES	1,521,238	488,889	125,489	2,135,616
FUND BALANCE:				
Reserved for:				
Capital outlay	-	-	-	-
Other	-	-	90,709	90,709
Unreserved, reported in:				
General Fund - Designated	223,088	-	-	223,088
General Fund - Undesignated	588,718	-	-	588,718
Special Revenue Funds	-	-	141,737	141,737
TOTAL FUND BALANCE	811,806	-	232,446	1,044,252
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,333,044	\$ 488,889	\$ 357,935	\$ 3,179,868

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2005

Total Fund Balances for Governmental Funds	\$ 1,044,252
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,733,727
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 11,513	
Current portion of notes and contracts payable	5,000	
Compensated absences	129,088	
Bonds payable	57,527	
Long-term contracts and notes payable	<u>46,870</u>	
		(249,998)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,527,981</u>
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The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Federal sources	\$ 67,329	\$ 488,889	\$ -	\$ 556,218
State sources	661,036	-	511,536	1,172,572
Property taxes	1,359,487	-	-	1,359,487
Licenses and permits	264	-	-	264
Service charges	357,065	-	-	357,065
Contributions	620,678	-	2,792	623,470
Investment income	36,129	-	3,596	39,725
Other revenues	219,040	-	52,735	271,775
TOTAL REVENUES	3,321,028	488,889	570,659	4,380,576
EXPENDITURES:				
Current operations:				
Public affairs	233,975	-	-	233,975
Accounting and finance	86,904	-	-	86,904
Public health and safety	642,622	-	3,639	646,261
Public works	789,018	-	880,433	1,669,451
Parks and recreation	172,738	-	-	172,738
Cemetery	96,429	-	-	96,429
Library	125,473	-	4,388	129,861
Other governmental	1,073,954	-	214,962	1,288,916
Debt service				
Principal retirement	15,960	-	-	15,960
Interest and fiscal charges	6,623	-	-	6,623
Capital outlay	74,537	488,889	-	563,426
TOTAL EXPENDITURES	3,318,233	488,889	1,103,422	4,910,544
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,795	-	(532,763)	(529,968)
OTHER FINANCING SOURCES (USES):				
Proceeds from borrowing	-	-	-	-
Transfers in	300,000	-	476,612	776,612
Transfers out	(321,612)	-	(97,400)	(419,012)
TOTAL OTHER FINANCING SOURCES (USES)	(21,612)	-	379,212	357,600
CHANGE IN FUND BALANCE	(18,817)	-	(153,551)	(172,368)
Fund balance, beginning of year	830,623	-	385,997	1,216,620
FUND BALANCE, END OF YEAR	\$ 811,806	\$ -	\$ 232,446	\$ 1,044,252

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ (172,368)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	232,396	
Depreciation expense		<u>(151,995)</u>	
			80,401

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets. (48,300)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 15,960

Proceeds on borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. -

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 65,023

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(59,284)</u>
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City of Negaunee, Michigan
 PROPRIETARY FUNDS
 Statement of Net Assets
 December 31, 2005

Business- Type Activities:
Enterprise Funds

	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 749,004	\$ 1,973,076	\$ 637,909	\$ 133,603	\$ 3,493,592
Restricted assets - cash	2,340,147	33,159	202,550	50,000	2,625,856
Accounts receivable	83,082	167,648	71,102	34,452	356,284
Allowance for uncollectible accounts	(3,300)	(9,700)	(4,300)	(1,300)	(18,600)
Special assessment receivable	408	1,486	274	-	2,168
Due from other funds	-	-	-	-	-
Unamortized bond issuance costs	78,797	-	-	-	78,797
TOTAL CURRENT ASSETS	3,248,138	2,165,669	907,535	216,755	6,538,097
Noncurrent Assets:					
Investment in U.P.A. Electric Utility	-	165,472	-	-	165,472
Investment in Joint Water Authority	-	-	543,875	-	543,875
Construction in progress	1,033,730	-	-	-	1,033,730
Land	40,000	-	-	-	40,000
Property, plant and equipment	8,514,968	1,761,172	9,039,611	556,682	19,872,433
Accumulated depreciation	(5,346,540)	(1,287,989)	(2,004,875)	(503,927)	(9,143,331)
TOTAL NONCURRENT ASSETS	4,242,158	638,655	7,578,611	52,755	12,512,179
TOTAL ASSETS	7,490,296	2,804,324	8,486,146	269,510	19,050,276
LIABILITIES					
Current Liabilities:					
Accounts payable	12,311	124,969	240,636	21,300	399,216
Accrued liabilities	-	-	34,441	-	34,441
Accrued salaries	4,517	3,871	2,581	1,290	12,259
Accrued sick and vacation leave	26,875	29,041	7,349	997	64,262
Customer deposits payable	-	226,928	-	-	226,928
Current portion of long-term debt	85,000	-	191,054	-	276,054
TOTAL CURRENT LIABILITIES	128,703	384,809	476,061	23,587	1,013,160
Noncurrent Liabilities:					
Deferred amounts on refunding	(177,848)	-	(100,626)	-	(278,474)
Revenue bonds payable	2,615,000	-	2,007,000	-	4,622,000
Contracts payable	-	-	1,419,654	-	1,419,654
TOTAL NONCURRENT LIABILITIES	2,437,152	-	3,326,028	-	5,763,180
TOTAL LIABILITIES	2,565,855	384,809	3,802,089	23,587	6,776,340
NET ASSETS					
Invested in capital assets net of related debt	1,542,158	473,183	4,998,736	52,755	7,066,832
Net Assets:					
Restricted for debt service	226,000	-	-	-	226,000
Unrestricted	3,156,283	1,946,332	(314,679)	193,168	4,981,104
TOTAL NET ASSETS	\$ 4,924,441	\$ 2,419,515	\$ 4,684,057	\$ 245,923	\$ 12,273,936

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

	Business- Type Activities: Enterprise Funds				
	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 855,759	\$ 1,811,859	\$ 742,522	\$ 397,755	\$ 3,807,895
Other operating revenue	15,149	6,300	3,776	18,859	44,084
TOTAL OPERATING REVENUES	870,908	1,818,159	746,298	416,614	3,851,979
OPERATING EXPENSES:					
Power and pumping	-	-	365	-	365
Transmission and distribution	-	289,441	107,022	77,429	473,892
Customer accounting and collection	32,231	49,303	32,286	30,456	144,276
Administrative and general	152,308	113,320	235,530	51,715	552,873
Sewage, sanitary and storm sewers	101,849	-	-	-	101,849
Wastewater treatment plant	330,594	-	-	-	330,594
Services purchased	-	995,214	-	225,029	1,220,243
Water meters	-	-	18,758	-	18,758
Provision for depreciation	203,145	61,012	221,536	9,308	495,001
TOTAL OPERATING EXPENSES	820,127	1,508,290	615,497	393,937	3,337,851
OPERATING INCOME (LOSS)	50,781	309,869	130,801	22,677	514,128
NONOPERATING REVENUES (EXPENSES):					
Investment income	38,279	64,949	17,044	3,269	123,541
Penalties on delinquent accounts	-	14,117	-	-	14,117
Interest expense on bonds	(135,210)	-	(170,681)	-	(305,891)
Interest and tax expense	-	(4,007)	-	-	(4,007)
TOTAL NONOPERATING REVENUES (EXPENSES)	(96,931)	75,059	(153,637)	3,269	(172,240)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(46,150)	384,928	(22,836)	25,946	341,888
Capital contributions	1,158,567	-	-	-	1,158,567
Transfers in	-	42,400	-	-	42,400
Transfers (out)	-	(400,000)	-	-	(400,000)
CHANGE IN NET ASSETS	1,112,417	27,328	(22,836)	25,946	1,142,855
Net assets, beginning of year	3,812,024	2,392,187	4,706,893	219,977	11,131,081
NET ASSETS, END OF YEAR	\$ 4,924,441	\$ 2,419,515	\$ 4,684,057	\$ 245,923	\$ 12,273,936

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2005

Business-Type Activities: Enterprise Funds					
	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash received from fees and charges for services	\$ 854,371	\$ 1,820,200	\$ 744,749	\$ 395,911	\$ 3,815,231
Other operating revenues	15,149	6,300	3,776	18,859	44,084
Cash payments to employees for services	(276,092)	(217,840)	(134,678)	(79,962)	(708,572)
Cash payments for payroll taxes	(20,591)	(16,212)	(9,977)	(5,826)	(52,606)
Cash payments to suppliers for goods and services	(310,741)	(1,199,258)	(25,375)	(303,107)	(1,838,481)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>262,096</u>	<u>393,190</u>	<u>578,495</u>	<u>25,875</u>	<u>1,259,656</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payments (to) from other funds	-	(357,600)	-	-	(357,600)
Increase in due to other funds	-	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(357,600)</u>	<u>-</u>	<u>-</u>	<u>(357,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(92,495)	(10,462)	(250,167)	-	(353,124)
Principal payment on long-term bonds	(85,000)	-	(183,587)	-	(268,587)
Interest paid on long-term bonds	(117,808)	-	(159,328)	-	(277,136)
Interest and tax expense	-	(4,007)	-	-	(4,007)
Penalties on delinquent accounts	-	14,117	-	-	14,117
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(295,303)</u>	<u>(352)</u>	<u>(593,082)</u>	<u>-</u>	<u>(888,737)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	38,279	64,949	17,044	3,270	123,542
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>38,279</u>	<u>64,949</u>	<u>17,044</u>	<u>3,270</u>	<u>123,542</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,072	100,187	2,457	29,145	136,861
Cash and cash equivalents, beginning of year	3,084,079	1,906,048	838,002	154,458	5,982,587
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,089,151</u>	<u>\$ 2,006,235</u>	<u>\$ 840,459</u>	<u>\$ 183,603</u>	<u>\$ 6,119,448</u>
Reconciliation to Statement of Net Assets:					
Cash and cash equivalents	\$ 749,004	\$ 1,973,076	\$ 637,909	\$ 133,603	\$ 3,493,592
Restricted assets - cash	2,340,147	33,159	202,550	50,000	2,625,856
Total Cash and Cash Equivalents per Statement of Net Assets	<u>\$ 3,089,151</u>	<u>\$ 2,006,235</u>	<u>\$ 840,459</u>	<u>\$ 183,603</u>	<u>\$ 6,119,448</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 50,781	\$ 309,869	\$ 130,801	\$ 22,677	\$ 514,128
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	203,145	61,012	221,536	9,308	495,001
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(1,431)	(1,086)	2,163	(1,844)	(2,198)
(Increase) decrease in special assessments receivable	43	995	64	-	1,102
Increase (decrease) in accounts payable	6,610	11,538	226,941	(2,494)	242,595
Increase (decrease) in payroll liabilities	2,948	2,430	(3,010)	(1,772)	596
Increase (decrease) in customer deposits payable	-	8,432	-	-	8,432
NET ADJUSTMENTS	<u>211,315</u>	<u>83,321</u>	<u>447,694</u>	<u>3,198</u>	<u>745,528</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 262,096</u>	<u>\$ 393,190</u>	<u>\$ 578,495</u>	<u>\$ 25,875</u>	<u>\$ 1,259,656</u>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
FIDUCIARY FUNDS
Statement of Fiduciary Net Assets
December 31, 2005

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and equivalents	\$ 16,274	\$ 481,112
Investments	2,028,477	-
Accounts receivable	4,907	-
Due from other funds	29,733	-
	<u>2,079,391</u>	<u>-</u>
TOTAL ASSETS	<u>2,079,391</u>	<u>\$ 481,112</u>
LIABILITIES		
Due to other funds	-	\$ 367,649
Due to other governmental units	-	113,463
	<u>-</u>	<u>481,112</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 481,112</u>
NET ASSETS		
Held in trust for pension benefits	<u>2,079,391</u>	
TOTAL NET ASSETS	<u>\$ 2,079,391</u>	

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
FIDUCIARY FUNDS
Statement in Changes in Fiduciary Net Assets
For the Year Ended December 31, 2005

	Pension Trust Fund
ADDITIONS:	
Contributions:	
Employer	\$ 98,392
Employee	16,236
Total Contributions	<u>114,628</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	17,823
Interest and dividends	<u>46,513</u>
Net Investment Income (Loss)	<u>64,336</u>
TOTAL ADDITIONS	<u>178,964</u>
DEDUCTIONS:	
Benefits and annuity withdrawals	145,880
Refunds of contributions	10,559
Administrative expense	<u>20,194</u>
TOTAL DEDUCTIONS	<u>176,633</u>
CHANGE IN NET ASSETS	2,331
Net assets, beginning of year	<u>2,077,060</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,079,391</u></u>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Notes to Financial Statements
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Negaunee conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

REPORTING ENTITY

The City adopted a charter in accordance with the laws of the State of Michigan in 1950 and operates under a Council-Manager form of municipal government. As required by generally accepted accounting principles, these financial statements present the City of Negaunee (the primary government). Certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Negaunee Housing Commission are included as a discretely presented component unit of the City and the Negaunee Public Schools are not included in the financial statements of the City. A complete financial statement of the component unit can be obtained directly from the Negaunee Housing Commission, 98 Croix Street, Negaunee, MI 49866.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, electric, water and cable services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefore are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.

The **Electric Fund** accounts for the activities related to electric transmission and distribution and billing for services.

The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The **Cable Fund** accounts for the activities related to operating the City Cable System and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water, sewer, and electric services are accrued as revenue in the Water, Sewer and Electric Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In September, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted to obtain taxpayer comments.
3. The final budget shall be adopted by resolution passed by the affirmative votes of at least a majority of the Council present at the regular meeting in November.
4. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
5. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
6. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

For the purpose of the cash flow statements, the City considers all highly liquid investments with a maturity of three months or less and all certificates of deposit to be cash equivalents.

Inventory

Inventory costs are recorded as expenditures when incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation of all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40-50 years
Equipment and machinery	5-20 years
Utility plant and system	16-40 years
Infrastructure	20-50 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes are levied on December 1 based on the taxable value of property and collected by the City. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" for use to finance current expenditures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Negaunee because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – RESTRICTED ASSETS:

The Enterprise Funds have restricted assets in the amount of \$2,625,856 to retire outstanding debt and to provide for unforeseen emergencies. The total is comprised of \$2,340,147 in the Sewer Utility Fund for general purpose and bond reserve retirement accounts; \$33,159 for an emergency fund and capital acquisitions in the Electric Utility Fund; \$50,000 for an emergency fund in the Cable Utility Fund; and \$202,550 in the Water Utility Fund for the purposes stated below.

Water Utility Fund Restricted Cash:	
Bond Payment Fund	\$50,000
Bond Reserve Account	109,350
Capital Improvement Fund	43,200
	<hr/>
	\$202,550

NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents reported on the statement of net assets are as follows:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and equivalents	\$3,940,455	\$380,829	\$497,386	\$4,818,670
Cash-restricted	2,625,856	-	-	2,625,856
TOTALS	<u>\$6,566,311</u>	<u>\$380,829</u>	<u>\$497,386</u>	<u>\$7,444,526</u>
A summary of deposits by type are:				
Cash in demand accounts	\$34,902	\$380,824	\$-	\$415,726
Cash in savings accounts	6,530,734	5	497,386	7,028,125
Petty cash	675	-	-	675
TOTAL DEPOSITS	<u>\$6,566,311</u>	<u>\$380,829</u>	<u>\$497,386</u>	<u>\$7,444,526</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amounts of the City's deposits with financial institutions was \$7,444,526 and the bank balance was \$7,527,206. Of the bank balance, \$997,087 or approximately 13% was covered by federal depository insurance according to FDIC regulations.

Investments

As of December 31, 2005 the City had the following investments:

Investment Type	Fair Value	Investment Maturities	
		Less than 1 year	5-10 years
Fiduciary Pension Trust Fund:			
Bond mutual funds	\$804,318	\$804,318	\$ -
Equity mutual funds	1,224,159	1,224,159	-
Component Unit:			
Certificate of deposit	160,454	64,024	96,430
Totals	<u>\$2,188,931</u>	<u>\$2,092,501</u>	<u>\$96,430</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statutes (Act 314, PA 1965, as amended) authorizes the pension trust to invest in stocks and mutual funds up to 60% of the system's assets, investments in the general or separate account of life insurance companies, fixed income securities, investments in leased real property, direct investments in property, investments in real estate loans, investments in small business or venture capital firms in Michigan, surplus funds pooled accounts, and bank or trust company collective investment funds, within certain restrictions.

The City has no investment policy that would further limit its investment choices. Ratings are not required for the City's investments as outlined above. The City's investments are in accordance with statutory authority.

NOTE D – INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables at December 31, 2005 are as follows:

	<u>Receivables</u>		<u>Payable</u>
General Fund	\$382,977	Local Street	\$15,328
		Tax Collection	367,649
Subtotal	<u>382,977</u>	Subtotal	<u>382,977</u>
Police Retirement System	<u>29,733</u>	General	<u>29,733</u>
TOTAL - REPORTING ENTITY	<u>\$412,710</u>	TOTAL - REPORTING ENTITY	<u>\$412,710</u>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE E – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The transfers between funds for the year ended December 31, 2005 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	<u>\$300,000</u>	Electric Utility	<u>\$300,000</u>
Local Street	376,612	General	321,612
		Major Street	55,000
Subtotal	<u>376,612</u>	Subtotal	<u>376,612</u>
Economic Development	100,000	Electric Utility	100,000
Electric Utility	42,400	Economic Development	42,400
TOTAL REPORTING ENTITY	<u>\$819,012</u>	TOTAL REPORTING ENTITY	<u>\$812,012</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2005 is as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2005</u>
Capital assets not being depreciated:				
Land	\$1,090,635	\$-	\$48,300	\$1,042,335
Construction in progress	-	67,807	-	67,807
Capital assets being depreciated:				
Buildings	6,219,313	-	-	6,219,313
Building improvements	20,600	-	-	20,600
Equipment and vehicles	2,893,925	67,553	-	2,961,478
Infrastructure	168,716	97,036	-	265,752
Total Capital Assets	<u>10,393,189</u>	<u>232,396</u>	<u>48,300</u>	<u>10,577,285</u>
Less accumulated depreciation:				
Buildings	5,259,065	34,630	-	5,293,695
Building improvements	3,777	2,060	-	5,837
Equipment and vehicles	2,428,604	110,237	-	2,538,841
Infrastructure	117	5,068	-	5,185
Total Accumulated Depreciation	<u>7,691,563</u>	<u>151,995</u>	<u>-</u>	<u>7,843,558</u>
Capital Assets, Net	<u>\$2,701,626</u>	<u>\$80,401</u>	<u>\$48,300</u>	<u>\$2,733,727</u>

NOTE F – CAPITAL ASSETS (Continued):

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Health and Safety	\$57,288
Public Works	55,737
Library	2,840
Unallocated	36,130
Total Depreciation Expense – Governmental Activities	<u>\$151,995</u>

A summary of changes in business-type activities capital assets as of December 31, 2005, is as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2005
Capital assets not being depreciated:				
Construction in progress	\$52,466	\$981,264	\$-	\$1,033,730
Land	-	40,000	-	40,000
Capital assets being depreciated:				
Sewer plant and equipment	8,285,170	229,798	-	8,514,968
Electric system and equipment	1,761,172	-	-	1,761,172
Water plant and equipment	8,792,544	250,167	3,100	9,039,611
Cable system and equipment	<u>556,682</u>	<u>-</u>	<u>-</u>	<u>556,682</u>
Total Capital Assets	<u>19,448,034</u>	<u>1,501,229</u>	<u>3,100</u>	<u>20,946,163</u>
Less accumulated depreciation:				
Sewer plant and equipment	5,143,395	203,145	-	5,346,540
Electric system and equipment	1,226,977	61,012	-	1,287,989
Water plant and equipment	1,786,439	221,536	3,100	2,004,875
Cable system and equipment	<u>494,619</u>	<u>9,308</u>	<u>-</u>	<u>503,927</u>
Total Accumulated Depreciation	<u>8,651,430</u>	<u>495,001</u>	<u>3,100</u>	<u>9,143,331</u>
Capital Assets, Net	<u>\$10,796,604</u>	<u>\$1,006,228</u>	<u>\$ -</u>	<u>\$11,802,832</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$203,145
Electric system	61,012
Water system	221,536
Cable system	9,308
Total Depreciation Expense – Business-type Activities	<u>\$495,001</u>

NOTE G – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government at December 31, 2005:

<u>Description</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
GOVERNMENTAL ACTIVITIES:				
Fire Truck – Note Payable	\$56,870	\$-	\$5,000	\$51,870
Fire Truck 2004 Bond	80,000	-	10,960	69,040
Accrued Sick & Vacation	194,111	-	65,023	129,088
TOTAL GOVERNMENTAL ACTIVITIES	<u>330,981</u>	<u>-</u>	<u>80,983</u>	<u>249,998</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer system revenue refunding bonds, series 2003	2,785,000	-	85,000	2,700,000
Water revenue bonds	2,065,000	-	29,000	2,036,000
Water supply system bonds	695,000	-	-	695,000
Refunding bonds - limited tax, series 1998A	1,041,295	-	154,587	886,708
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,586,295</u>	<u>-</u>	<u>268,587</u>	<u>6,317,708</u>
TOTAL REPORTING ENTITY	<u>\$6,917,276</u>	<u>\$-</u>	<u>\$349,570</u>	<u>\$6,567,706</u>

The annual principal and interest requirements are as follows:

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$16,513	\$5,832	\$276,054	\$266,832	\$292,567	\$272,664
2007	18,095	4,989	290,541	256,927	308,636	261,916
2008	18,706	4,093	296,275	246,541	314,981	250,634
2009	38,726	3,167	315,648	235,682	354,374	238,849
2010	7,000	1,205	324,190	225,507	331,190	226,712
2011-2015	21,870	1,599	1,437,000	911,512	1,458,870	913,111
2016-2020	-	-	917,000	689,904	917,000	689,904
2021-2025	-	-	1,159,000	456,837	1,159,000	456,837
2026-2030	-	-	586,000	216,026	586,000	216,026
2031-2035	-	-	487,000	108,251	487,000	108,251
2036-2037	-	-	229,000	10,463	229,000	10,463
Total	<u>\$120,910</u>	<u>\$20,885</u>	<u>\$6,317,708</u>	<u>\$3,624,482</u>	<u>\$6,438,618</u>	<u>\$3,645,367</u>

Sanitary Sewage System Revenue Bond Payable

In November 2002, the City of Negaunee, pursuant to Act 94 of the Public Acts of Michigan, 1933, as amended, and Ordinance No. 2002, as amended, authorized the issuance of \$3,070,000 in Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 for the purpose of (1) paying the costs of the first phase of acquiring and constructing additions, extensions and improvements to the City's Sanitary Sewage Disposal System and (2) refunding all of the City's Sanitary Sewer System Revenue Bonds, Series 1978 (the "Prior Bonds"), maturing in the years 2004 to 2017, in the outstanding amount of \$1,125,000. The net proceeds of \$1,208,179 (after payment of \$93,805 in underwriting fees, insurance and other costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Prior Bonds. As a result, the Prior Bonds are considered to be defeased and the liability for those bonds has been removed from the Enterprise Funds long-term debt liability.

NOTE G – LONG -TERM DEBT (Continued):

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$163,179. This difference is being recorded in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2017 using the effective interest method.

The Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 are secured solely by the net revenues of the Sanitary Sewage System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2002. The bonds issued in denomination of \$5,000 each (\$3,070,000 original issue), dated November 27, 2002, mature annually on January 1 of each year through January 1, 2027. Interest is payable on January 1 and July 1 of each year at an average interest rate of 3.5% per annum. Scheduled payments of principal and interest are listed below:

<u>Payable In Year</u>	<u>January 1</u>		<u>July 1 Interest</u>	<u>Total</u>
	<u>Interest</u>	<u>Principal</u>		
2006	\$57,504	\$85,000	\$57,504	\$200,008
2007	56,229	90,000	56,229	202,458
2008	54,879	90,000	54,879	199,758
2009	53,484	95,000	53,484	201,968
2010	51,892	95,000	51,892	198,784
2011	50,230	100,000	50,230	200,460
2012	48,430	105,000	48,430	201,860
2013	46,461	110,000	46,461	202,922
2014	44,316	110,000	44,316	198,632
2015	42,116	115,000	42,116	199,232
2016	39,730	120,000	39,730	199,460
2017	37,180	125,000	37,180	199,360
2018	34,305	135,000	34,305	203,610
2019	31,200	140,000	31,200	202,400
2020	27,980	145,000	27,980	200,960
2021	24,645	155,000	24,645	204,290
2022	21,080	160,000	21,080	202,160
2023	17,400	170,000	17,400	204,800
2024	13,320	175,000	13,320	201,640
2025	9,120	185,000	9,120	203,240
2026	4,680	195,000	4,680	204,360
Totals	<u>\$766,181</u>	<u>\$2,700,000</u>	<u>\$766,181</u>	<u>\$4,232,362</u>

Water Supply System Revenue Bonds

In March of 1997 the City Council of the City of Negaunee, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved \$4.9 million dollars to provide for improvements to the Water Supply System. The improvements consisted of replacement of approximately twelve (12) miles of water main and other improvements to the System. Federal funds provided through the United States Department of Agriculture to defray a portion of the cost totaled \$2,908,000. The City has issued revenue bonds in the amount of \$2,233,000 with the remainder of the financing coming from local sources. The City's bonds are secured by the

NOTE G – LONG -TERM DEBT (Continued):

net revenues derived from the operation of the Water Supply system to pay the annual installments due plus interest.

Water Supply system revenue bonds mature annually on April 1 of each year through April 1, 2037. Interest is payable semi-annually on April 1 and October 1 of each year at a rate of 4.5% per annum. Scheduled payments of principal and interest are listed below:

Payable In Year	April 1		October 1	
	Interest	Principal	Interest	Total
2006	\$45,810	\$29,000	\$45,158	\$119,968
2007	45,158	31,000	44,460	120,618
2008	44,460	32,000	43,740	120,200
2009	43,740	34,000	42,976	120,716
2010	42,975	35,000	42,188	120,163
2011	42,187	37,000	41,355	120,542
2012	41,355	39,000	40,478	120,833
2013	40,478	40,000	39,578	120,056
2014	39,578	42,000	38,633	120,211
2015	38,633	44,000	37,643	120,276
2016	37,643	46,000	36,608	120,251
2017	36,608	48,000	35,528	120,136
2018	35,528	50,000	34,403	119,931
2019	34,403	53,000	33,210	120,613
2020	33,210	55,000	31,973	120,183
2021	31,973	57,000	30,690	119,663
2022	30,690	60,000	29,340	120,030
2023	29,340	63,000	27,923	120,263
2024	27,923	65,000	26,460	119,383
2025	26,460	69,000	24,908	120,368
2026	24,908	71,000	23,310	119,218
2027	23,310	75,000	21,623	119,933
2028	21,623	78,000	19,868	119,491
2029	19,868	82,000	18,023	119,891
2030	18,023	85,000	16,110	119,133
2031	16,110	89,000	14,108	119,218
2032	14,108	93,000	12,015	119,123
2033	12,015	97,000	9,833	118,848
2034	9,833	102,000	7,538	119,371
2035	7,538	106,000	5,153	118,691
2036	5,153	111,000	2,655	118,808
2037	2,655	118,000	-	120,655
Totals	<u>\$923,296</u>	<u>\$2,036,000</u>	<u>\$877,488</u>	<u>\$3,836,784</u>

NOTE G – LONG -TERM DEBT (Continued):Refunding Bonds - Limited Tax, Series 1998A

In June of 1998, the City Council of the City of Negaunee, pursuant to the provisions of Act No. 185, Public Acts of Michigan, 1957, as amended, approved the refunding of part or all of the Marquette County Water Supply System Bonds, Series 1992 (Negaunee-Ishpeming Improvements). Interest is payable on May 1 and November 1 each year. Scheduled payments of principal and interest are listed below.

<u>Payable In Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>	
2006	\$162,054	\$18,972	\$10,609	\$191,635
2007	169,541	15,957	7,619	193,117
2008	174,275	12,656	4,652	191,583
2009	186,648	9,261	1,462	197,371
2010	<u>194,190</u>	<u>5,285</u>	-	<u>199,475</u>
Totals	<u>\$886,708</u>	<u>\$62,131</u>	<u>\$24,342</u>	<u>\$973,181</u>

NOTE K – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon termination in good standing, retirement, death, or disability, employees or their estates shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Vacation in any current calendar year shall be taken as earned during the previous year. If an employee is not permitted to take all of his earned vacation time before the expiration of the calendar year, he shall be entitled to take any such unused vacation time during the succeeding six months. Upon retirement, death, termination or disability, employees or their estates are paid for any unused portion of vacation allowance in the current year to the separation date at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows.

NOTE K – ACCUMULATED UNPAID VACATION AND SICK LEAVE (Continued):

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
ACCRUED SICK AND VACATION:			
General Fund	\$-	\$441	\$441
Sewer Utility Fund	19,667	7,208	26,875
Electric Fund	25,809	3,232	29,041
Water Utility Fund	6,493	856	7,349
Cable Utility Fund	432	565	997
Governmental Activities – long-term portion	<u>116,264</u>	<u>12,824</u>	<u>129,088</u>
TOTAL	<u>\$168,665</u>	<u>\$25,126</u>	<u>\$193,791</u>

NOTE L – DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2004).

Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department of the City are included in a separate self-administered plan. All other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Funding Policy

The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended December 31, 2005, the City's annual pension cost of \$268,992 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 39 years.

NOTE L – DEFINED BENEFIT PENSION PLAN (Continued):

Analysis of Funding Progress
Three-Year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)-Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/02	\$7,411,889	\$5,832,467	\$1,579,422	79%	\$1,382,409	114%
12/31/03	8,051,626	6,075,487	1,976,139	75%	1,393,028	142%
12/31/04	8,706,230	6,298,728	2,407,502	72%	1,558,272	154%

Schedule of Employer Contributions

Fiscal Year Ending December 31	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	2001	\$188,064	100%	-
2004	2002	220,848	100 %	-
2005	2003	268,992	100 %	-

NOTE M – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN:Summary of Significant Accounting Policies

Basis of Accounting - The City of Negaunee Policemen Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Plan Description

The City of Negaunee is the administrator of a single-employer public employee retirement system ("System") established and administered by the City of Negaunee to provide pension benefits for the Police Department employees. The Policemen's System is considered part of the City of Negaunee financial reporting entity and is included in the City's financial report as a pension trust fund. A separately issued actuarial report is issued and available from the City Clerk. The City's payroll for employees covered by the System for the years ended December 31, 2005, 2004 and 2003 was \$324,724; \$437,235, and \$384,891; respectively. The City's total payroll was \$2,097,619; \$2,215,231; and \$2,069,486, respectively.

NOTE M – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN
(Continued):

The qualifying full-time employees of the Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 regardless of service are entitled to annual retirement benefits, payable monthly for life, in an amount equal to 2.9 percent of a five-year average final compensation times the first twenty-five years of service plus 1 percent of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total permanent disability of a member with five or more years of service. Benefits up to the age of 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable up to the age of 55, 50% of the average final compensation. Benefits after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker's compensation.

If an active employee with 20 or more years of service dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight-line pension actuarially reduced in accordance with an Option 1 election.

Covered employees are required by statute to contribute five percent of their salary to the System. If an employee leaves covered employment or dies before 25 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by state statute and City ordinance.

Contributions

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended December 31, 2003, were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized at a level percent of payroll over a period of 15 years.

During the year ended December 31, 2005, contributions totaling \$114,628 (\$98,392 employer and \$16,236 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003.

NOTE M – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN
(Continued):

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information based upon the latest available actuarial valuation (as of December 31, 2003) is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
2000	\$1,977,422	\$1,858,889	\$118,533	94%	\$383,909	31%
2001	2,200,379	1,980,375	220,004	90%	414,699	53%
2003	2,553,784	2,130,793	422,991	83%	393,843	71%

Schedule of Employer Contributions

Fiscal Year Ending December 31	Annual Required Contribution	Percent Contributed
2000	\$102,201@	100%
2001	100,866@	100%
2002	99,744@	100%
2003	100,844@	100%

@ The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. The contribution is made based on the computed employer percent of payroll contribution applied to actual payroll throughout the year. Also included in these amounts is a 5.0% contribution for one member.

NOTE N – DESIGNATED/RESERVED FUND BALANCE AND NET ASSETS:

The General Fund has designated fund balances in the amount of \$223,088, representing \$129,088 for accrued sick and vacation and \$94,000 for future capital acquisitions and cultural programs.

The Special Revenue Funds have designated fund balance in the amount of \$5,000 for future infrastructure improvements.

The Enterprise Funds have restricted net assets of \$226,000 for emergency funds and future debt retirement.

NOTE O – PROPERTY TAXES:

Property taxes levied on December 1, 2005, in the amount of \$1,317,559 were deferred since they are not “available” to finance current expenditures. The tax rate to finance general government services for the year ended December 31, 2005 (levied December 1, 2004) was 20.9187 mills per \$1,000 of assessed valuation or \$1,262,924 on the taxable value of \$60,373,970.

NOTE P – INVESTMENT IN JOINT WATER AUTHORITY:

On July 31, 1991, the City of Negaunee and the City of Ishpeming entered into an intergovernmental agreement pursuant to both Act 35 of 1951, as amended, and Act 7 of 1967 for the purpose of creating the Negaunee-Ishpeming Water Authority Board (NIAWB), a corporate public body which shall design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, each city was obligated to pay 50% of the preliminary engineering, design engineering, and construction bidding costs.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract, the City of Negaunee was obligated to repay \$2,860,000 over 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%.

The total cost of construction of the project was \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant; a \$500,000 Michigan Community Development Block Grant; and \$840,000 in local funds.

A portion of the original debt was refunded with the Refunding Bonds - Limited Tax, Series 1998A. The unfunded debt of the original issue has remaining principal and interest requirements as follows:

Payable In Year	Principal May 1	Interest		Total
		May 1	November 1	
2006	\$-	\$15,638	\$15,637	\$31,275
2007	-	15,638	15,637	31,275
2008	-	15,638	15,637	31,275
2009	-	15,638	15,637	31,275
2010	-	15,638	15,637	31,275
2011	215,000	15,638	10,800	241,438
2012	230,000	10,800	5,625	246,425
2013	250,000	5,625	-	255,625
Totals	<u>\$695,000</u>	<u>\$110,253</u>	<u>\$94,610</u>	<u>\$899,863</u>

NOTE P – INVESTMENT IN JOINT WATER AUTHORITY (Continued):

A summary of the compiled financial information of the NIWAB as of and for the year ended December 31, 2004 (the latest available financial report) is as follows:

Assets	\$1,807,795
Liabilities	13,750
Fund Equity	1,794,045
Operating Revenues	437,437
Operating Expenses	432,452
Operating Income	4,985
Net Income	11,175

The balance of the investment in Joint Water Authority for the year ended December 31, 2005 of \$543,875 represents the City's net investment in the NIAWAB.

NOTE Q – JOINT VENTURE:

In June 1988, the City of Negaunee joined with other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and any other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of Sands Township; two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners; and one (1) resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

A summary of financial information from the separately audited financial statements of the Authority for the year ended June 30, 2005 is as follows:

Assets	\$13,560,611
Liabilities	2,075,460
Net Assets	11,485,151
Operating Revenues	2,425,089
Operating Expenses	2,149,808
Outstanding Bonds Payable	950,000

NOTE Q – JOINT VENTURE (Continued):

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The City's pro rata share of the outstanding debt of the Authority approximates 6.7%.

NOTE R – RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable; therefore, the City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. This agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE S – CONSTRUCTION IN PROGRESS:

The City has begun a project to acquire and construct additions, extensions and improvements to the City's Sanitary Sewage Disposal System for which the total project cost is estimated at \$12,380,000. The project is to be financed through approximately \$10,000,000 in federal appropriations, the issuance of the 2002 refunding bond providing approximately \$1,800,000 in proceeds, and an U.S. Army Corps of Engineers grant for \$580,000.

As of December 31, 2005, total construction costs incurred amounted to \$1,033,730.

NOTE T – BUDGETARY NONCOMPLIANCE:

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

NOTE T – BUDGETARY NONCOMPLIANCE (Continued):

The approved budgets of the City for the General and Special revenue Funds were adopted on an activity and/or program level. During the year ended December 31, 2005 the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

General Fund:	
Accounting and Finance	\$4,474
Public Health and Safety	652
Other Governmental	28,174

NOTE U – DEFICIT FUND BALANCE/NET ASSETS:

As of December 31, 2005 the Water Fund reported a deficit in unrestricted net assets of \$314,679. Total net assets amounted to \$4,684,057.

REQUIRED SUPPLEMENTARY INFORMATION

City of Negaunee, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Public Affairs, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
REVENUES:					
Property Taxes:					
Current levy	\$ 1,205,255	\$ 1,205,255	\$ 1,204,100	\$ (1,155)	\$ 1,173,647
Special levy - parks and recreation programs	60,755	60,755	60,690	(65)	58,962
Specific ore tax	38,190	38,190	38,190	-	33,278
Payment in lieu of taxes	23,200	23,200	24,090	890	23,393
Interest and penalties	1,200	1,200	1,988	788	1,316
Administrative fees	29,000	29,000	30,429	1,429	28,454
Total Property Taxes	1,357,600	1,357,600	1,359,487	1,887	1,319,050
Licenses and Permits	321	321	264	(57)	318
Federal Sources - grant proceeds	-	67,000	67,329	329	154,700
State Sources					
State grant proceeds	-	51,700	51,786	86	-
State shared taxes	586,000	586,000	579,108	(6,892)	585,842
Liquor license refunds	4,500	4,500	4,907	407	4,862
Penal fines	22,000	22,000	25,235	3,235	23,892
Total State Sources	612,500	664,200	661,036	(3,164)	614,596
Service Charges:					
Building and equipment rentals	100,800	100,800	103,897	3,097	96,459
Burial permits	34,000	34,000	52,368	18,368	30,780
Garbage collection fees	182,575	182,575	177,194	(5,381)	136,344
Sale of cemetery lots	3,500	3,500	6,806	3,306	6,715
Franchise fee	17,000	17,000	16,800	(200)	16,691
Total Service Charges	337,875	337,875	357,065	19,190	286,989
Contributions:					
Contributions from Highway Fund	445,050	619,650	619,653	3	544,588
Contributions from private sources	-	-	1,025	1,025	2,482
Total Contributions	445,050	619,650	620,678	1,028	547,070
Other Revenue:					
Investment income	30,000	30,000	36,129	6,129	24,761
Sale of surplus property	500	500	-	(500)	3,854
Recreation and ice arena sales	23,700	23,700	18,946	(4,754)	20,381
Traffic violations	5,100	5,100	7,232	2,132	7,096
Hospitalization insurance reimbursement	117,000	121,000	121,095	95	117,469
Insurance refund	14,000	14,000	9,507	(4,493)	15,250
Landfill reimbursement	35,000	41,007	48,909	7,902	36,314
Miscellaneous	10,000	10,000	13,351	3,351	11,370
Total Other Revenue	235,300	245,307	255,169	9,862	236,495
TOTAL REVENUES	2,988,646	3,291,953	3,321,028	29,075	3,159,218

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005			Variance with	
	Original	Final	Actual	Final Budget	2004
	Budget	Budget	GAAP	Positive	Actual
			Basis	(Negative)	
EXPENDITURES:					
PUBLIC AFFAIRS:					
City Manager:					
Personal services	\$ 64,700	\$ 47,400	\$ 46,474	\$ 926	\$ 73,012
Defined contribution				-	-
Social security taxes	5,000	2,900	2,872	28	5,245
Retirement	6,950	3,950	3,917	33	4,430
Office supplies	4,500	3,913	4,419	(506)	4,564
Office equipment	-	587	687	(100)	161
Communications	4,000	4,000	4,005	(5)	4,298
Conference and travel	2,600	1,000	254	746	1,835
Repairs and maintenance	100	100	-	100	-
Dues and memberships	500	500	75	425	-
Total City Manager	88,350	64,350	62,703	1,647	93,545
City Council:					
Personal services	8,000	9,100	9,100	-	10,430
Social security taxes	620	620	658	(38)	714
Special services	-	-	-	-	51,324
Communications	100	100	70	30	-
Legislative publications	5,000	5,900	5,920	(20)	6,794
Conference and travel	4,000	2,800	2,716	84	8,834
Building rental	1,200	1,200	1,200	-	1,200
Dues and memberships	5,000	4,300	4,303	(3)	4,680
Total City Council	23,920	24,020	23,967	53	83,976
City Building:					
Personal services	34,500	33,700	32,903	797	35,675
Social security taxes	2,700	2,600	2,581	19	2,646
Retirement	6,300	6,200	6,138	62	5,815
Supplies	4,000	2,200	2,185	15	2,946
Utilities	6,500	5,000	4,948	52	4,897
Fuel	17,000	16,100	16,033	67	13,426
Repairs and maintenance	6,000	5,200	5,186	14	6,029
Total City Building	77,000	71,000	69,974	1,026	71,434
City Attorney:					
Personal services	21,600	21,600	21,600	-	21,600
Special services	7,000	12,500	12,484	16	27,435
Miscellaneous	1,000	-	-	-	1,326
Total City Attorney	29,600	34,100	34,084	16	50,361
City Clerk:					
Personal services	25,200	25,200	25,367	(167)	46,154
Social security taxes	2,000	2,000	2,017	(17)	3,479
Retirement	4,640	4,640	3,088	1,552	6,507
Office supplies	1,500	1,500	1,488	12	1,422
Audit	4,292	4,292	4,292	-	3,867
Communications	5,000	5,000	3,366	1,634	4,306
Conference and travel	-	-	-	-	70
Repairs and maintenance	300	300	300	-	300
Miscellaneous	-	-	118	(118)	-
Total City Clerk	42,932	42,932	40,036	2,896	66,105

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005			Variance with	
	Original Budget	Final Budget	Actual GAAP Basis	Final Budget Positive (Negative)	2004 Actual
Elections:					
Personal services	\$ 1,000	\$ 1,000	\$ 718	\$ 282	\$ 2,262
Supplies			-	-	-
Office supplies	1,000	1,000	733	267	1,795
Communications	150	150	491	(341)	420
Printing and publishing	500	500	472	28	777
Repairs and maintenance	200	200	-	200	-
Office equipment	-	-	-	-	-
Total Elections	2,850	2,850	2,414	436	5,254
Board of Review:					
Personal services	1,250	1,250	740	510	910
Social security taxes	100	100	57	43	70
Total Board of Review	1,350	1,350	797	553	980
TOTAL PUBLIC AFFAIRS	266,002	240,602	233,975	6,627	371,655
ACCOUNTING AND FINANCE:					
City Treasurer:					
Personal services	11,800	14,600	15,108	(508)	15,841
Social security taxes	900	900	1,180	(280)	1,235
Retirement	2,200	2,500	2,843	(343)	3,010
Office supplies	1,400	1,400	1,125	275	752
Special services	600	600	635	(35)	600
Communications	2,000	2,000	1,618	382	1,645
Conference and travel	1,500	1,500	1,562	(62)	2,013
Repairs and maintenance	400	400	-	400	312
Dues and memberships	200	200	35	165	190
Miscellaneous	500	500	438	62	308
Office equipment	-	-	-	-	-
Total City Treasurer	21,500	24,600	24,544	56	25,906
Assessment of Taxes:					
Personal services	44,000	43,150	48,480	(5,330)	45,330
Social security taxes	3,400	3,400	3,365	35	3,391
Retirement	8,100	8,100	8,150	(50)	8,270
Office supplies	400	400	123	277	210
Communications	2,100	2,100	1,758	342	1,673
Conference and travel	400	400	269	131	331
Repairs and maintenance	100	100	-	100	-
Dues and memberships	180	180	215	(35)	215
Office equipment	-	-	-	-	-
Total Assessment of Taxes	58,680	57,830	62,360	(4,530)	59,420
TOTAL ACCOUNTING AND FINANCE	80,180	82,430	86,904	(4,474)	85,326
PUBLIC HEALTH AND SAFETY:					
Police Department:					
Personal services	445,500	394,213	394,961	(748)	496,356
Social security taxes	34,200	30,500	30,418	82	37,637
Retirement	108,900	108,000	107,925	75	116,417
Office supplies	2,200	2,200	2,124	76	1,642
Operating supplies	2,000	1,400	1,364	36	2,187
Office equipment	-	-	-	-	1,186
Uniforms and accessories	5,700	12,387	12,775	(388)	2,388

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
Police Department (Continued):					
Animal control	\$ 400	\$ 400	\$ (245)	\$ 645	\$ (441)
Communications	8,640	8,640	8,199	441	8,430
Vehicle expense	14,200	13,000	13,514	(514)	13,084
Training	1,300	700	386	314	649
Conference and travel	1,200	1,200	715	485	559
Repairs and maintenance	800	800	683	117	576
Dues and memberships	600	600	492	108	646
Patrol equipment	-	-	(200)	200	3,570
Crime prevention	700	700	594	106	4
Miscellaneous	11,200	300	1,930	(1,630)	1,245
Total Police Department	637,540	575,040	575,635	(595)	686,135
Fire Department:					
Personal services	41,000	37,600	37,835	(235)	38,213
Social security taxes	3,330	3,330	2,873	457	2,832
Retirement	80	80	73	7	75
Operating supplies	4,000	4,000	4,038	(38)	3,085
Physical exams and tests	2,000	800	706	94	103
Communications	1,400	1,400	944	456	818
Vehicle expense	1,500	900	662	238	524
Conference and travel	3,000	1,900	1,849	51	1,712
Utilities	1,800	1,800	1,224	576	1,117
Fuel	8,220	8,220	10,008	(1,788)	10,062
Repairs and maintenance	5,500	5,500	6,033	(533)	4,753
Dues and memberships	200	200	110	90	170
Miscellaneous	1,200	1,200	632	568	790
Total Fire Department	73,230	66,930	66,987	(57)	64,254
TOTAL PUBLIC HEALTH AND SAFETY	710,770	641,970	642,622	(652)	750,389
PUBLIC WORKS:					
Streets, Highways and Alleys:					
Special services	-	-	-	-	172,297
Operating supplies	20,000	10,000	9,935	65	36,065
Total Streets, Highways and Alleys	20,000	10,000	9,935	65	208,362
Bridges and Culverts:					
Special services	17,200	10,200	10,042	158	5,011
Total Bridges and Culverts	17,200	10,200	10,042	158	5,011
Traffic Control:					
Purchased services	1,500	1,500	2,997	(1,497)	3,469
Operating supplies	6,500	6,500	3,101	3,399	8,942
Railroad signal maintenance	200	200	120	80	120
Utilities	2,000	2,000	1,940	60	1,841
Total Traffic Control	10,200	10,200	8,158	2,042	14,372
Snow Removal and Ice Control:					
Special services	-	-	-	-	-
Operating supplies	17,000	25,800	25,774	26	21,552
Total Snow Removal and Ice Control	17,000	25,800	25,774	26	21,552

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
Garbage Collection and Disposal:					
Personal services	\$ 6,700	\$ 3,150	\$ 3,122	\$ 28	\$ 5,815
Social security taxes	513	263	239	24	445
Retirement	750	550	529	21	472
Operating supplies	100	100	84	16	-
Communications	-	-	-	-	-
Vehicle expense	-	-	-	-	-
Total Garbage Collection and Disposal	8,063	4,063	3,974	89	6,732
County Sanitary Landfill:					
Purchased services	160,000	171,700	184,636	(12,936)	164,435
Construction	13,000	13,000	-	13,000	-
Total County Sanitary Landfill	173,000	184,700	184,636	64	164,435
Engineering Services:					
Purchased services	30,000	23,000	22,783	217	15,529
Total Engineering Services	30,000	23,000	22,783	217	15,529
Garage and Equipment:					
Personal services	305,450	269,450	279,458	(10,008)	277,099
Social security taxes	23,240	23,240	21,321	1,919	20,685
Retirement	55,550	55,550	47,859	7,691	45,685
Office supplies	1,500	1,500	1,363	137	1,565
Operating supplies	6,500	6,500	8,154	(1,654)	10,457
Uniforms and accessories	3,380	3,380	4,756	(1,376)	3,809
Communications	4,000	4,000	3,594	406	3,925
Vehicle expense	83,000	97,000	98,839	(1,839)	89,385
Conference and travel	500	500	135	365	293
Utilities	5,400	5,400	5,195	205	5,186
Fuel	20,000	20,000	21,739	(1,739)	18,662
Repairs and maintenance	5,000	5,000	1,457	3,543	1,354
Total Garage and Equipment	513,520	491,520	493,870	(2,350)	478,105
Curb, Gutter and Sidewalk Maintenance:					
Personal services	-	-	391	(391)	-
Social security taxes	-	-	30	(30)	-
Retirement	-	-	72	(72)	-
Special services	2,000	2,000	862	1,138	180
Operating supplies	-	-	-	-	-
Total Curb, Gutter and Sidewalk Maintenance	2,000	2,000	1,355	645	180
Alley Cleaning:					
Personal services	-	-	445	(445)	9,468
Social security taxes	-	-	34	(34)	717
Retirement	-	-	81	(81)	1,573
Supplies	7,000	5,000	4,422	578	6,165
Total Alley Cleaning	7,000	5,000	4,982	18	17,923
Street Lighting:					
Purchased services	25,000	25,000	23,509	1,491	20,541
Total Street Lighting	25,000	25,000	23,509	1,491	20,541
TOTAL PUBLIC WORKS	822,983	791,483	789,018	2,465	952,742

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
PARKS AND RECREATION:					
Parks and Recreation:					
Personal services	\$ 74,820	\$ 80,770	\$ 81,703	\$ (933)	\$ 85,162
Social security taxes	5,730	5,480	6,144	(664)	6,524
Retirement	8,010	7,910	7,865	45	8,439
Supplies	6,500	6,050	5,583	467	10,301
Special services	6,200	4,600	3,997	603	3,739
Utilities	24,000	21,000	21,175	(175)	21,482
Fuel	12,000	14,300	14,328	(28)	12,388
Repairs and maintenance	10,700	8,500	8,625	(125)	5,815
Miscellaneous	8,000	3,600	2,755	845	3,825
Total Parks and Recreation	155,960	152,210	152,175	35	157,675
Special Events:					
Personal services	7,000	5,000	5,236	(236)	6,932
Social security taxes	535	535	400	135	530
Retirement	1,005	605	525	80	741
Operating supplies	3,000	2,100	2,072	28	1,577
Special services	3,000	2,500	2,453	47	2,790
Total Special Events	14,540	10,740	10,686	54	12,570
Tree Trimming and Removal:					
Retirement	-	-	-	-	-
Special services	1,000	1,000	1,050	(50)	1,500
Supplies	1,000	1,000	237	763	767
Total Tree Trimming and Removal	2,000	2,000	1,287	713	2,267
City Band:					
Personal services	4,600	4,950	4,931	19	4,615
Music and supplies	400	1,200	1,527	(327)	609
Utilities	800	800	588	212	600
Fuel	1,000	1,000	942	58	890
Repairs and maintenance	400	400	411	(11)	236
Miscellaneous	250	250	191	59	266
Total City Band	7,450	8,600	8,590	10	7,216
TOTAL PARKS AND RECREATION	179,950	173,550	172,738	812	179,728
CEMETERY:					
Personal services	78,000	68,400	66,582	1,818	78,017
Social security taxes	6,000	6,000	5,157	843	5,896
Retirement	10,600	9,100	8,792	308	9,582
Operating supplies	650	650	1,407	(757)	2,510
Communications	800	800	1,077	(277)	1,353
Vehicle expense	2,300	2,300	3,004	(704)	2,012
Electricity and water	2,100	2,100	2,810	(710)	2,123
Fuel	3,100	3,100	1,018	2,082	3,555
Repairs and maintenance	5,500	5,500	6,582	(1,082)	5,766
TOTAL CEMETERY	109,050	97,950	96,429	1,521	110,814
LIBRARY:					
Personal services	80,600	80,600	81,679	(1,079)	82,262
Social security taxes	6,200	6,200	6,249	(49)	6,235
Retirement	13,600	13,600	12,391	1,209	12,548
Office supplies	1,500	1,500	1,970	(470)	2,025
Communications	7,100	7,100	8,155	(1,055)	7,180
Electricity and water	1,000	1,000	855	145	857

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
Library (Continued):					
Conferences and travel	\$ 100	\$ 100	\$ 47	\$ 53	\$ -
Dues and memberships	3,500	3,500	3,331	169	3,999
Books, magazines and periodicals	12,000	12,000	10,796	1,204	12,868
Miscellaneous	-	-	-	-	-
TOTAL LIBRARY	125,600	125,600	125,473	127	127,974
OTHER GOVERNMENTAL:					
Downtown Development	1,000	-	-	-	752
Luge Project	930	930	149	781	306
Social security taxes	-	1,000	963	37	2,938
Group life and hospitalization insurance	829,500	844,500	844,121	379	817,513
Workmen's compensation insurance	29,000	35,000	35,217	(217)	26,712
Longevity and separation pay	15,000	21,500	51,312	(29,812)	46,586
Retirement benefits	-	-	1,130	(1,130)	6,321
Fire, liability and other insurance	120,000	124,000	124,150	(150)	120,199
Easements and leases	500	500	424	76	311
Bad debt expense	300	300	42	258	74
Contribution - senior citizen	15,000	15,000	15,000	-	15,000
Miscellaneous	3,050	3,050	1,446	1,604	22,533
TOTAL OTHER GOVERNMENTAL	1,014,280	1,045,780	1,073,954	(28,174)	1,059,245
DEBT SERVICE:					
Principal payments	15,960	15,960	15,960	-	5,000
Interest and fiscal charges	6,623	6,623	6,623	-	2,820
TOTAL DEBT SERVICE	22,583	22,583	22,583	-	7,820
CAPITAL OUTLAY:					
City building	-	-	-	-	4,414
Police department	-	-	-	-	21,302
Fire department	700	73,800	73,937	(137)	161,429
Garage and equipment	-	-	-	-	19,347
City band	-	600	600	-	-
Parks	-	-	-	-	6,061
Cemetery	-	-	-	-	42,030
TOTAL CAPITAL OUTLAY	700	74,400	74,537	(137)	254,583
TOTAL EXPENDITURES	3,332,098	3,296,348	3,318,233	(21,885)	3,900,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(343,452)	(4,395)	2,795	7,190	(741,058)
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	80,000
Transfers in	301,500	301,500	300,000	(1,500)	300,752
Transfers out	(160,105)	(297,105)	(321,612)	(24,507)	(132,805)
TOTAL OTHER FINANCING SOURCES (USES)	141,395	4,395	(21,612)	(26,007)	247,947
CHANGE IN FUND BALANCE	(202,057)	-	(18,817)	(18,817)	(493,111)
Fund balance, beginning of year	830,623	830,623	830,623	-	1,323,734
FUND BALANCE, END OF YEAR	\$ 628,566	\$ 830,623	\$ 811,806	\$ (18,817)	\$ 830,623

OTHER FINANCIAL INFORMATION

City of Negaunee, Michigan

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREETS FUND, LOCAL STREETS FUND, LIBRARY STATE AID FUND, LAW ENFORCEMENT FUND, CRIME PREVENTION FUND and ECONOMIC DEVELOPMENT FUND are nonmajor special revenue fund types.

PERMANENT FUNDS

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The CEMETERY FUND is a permanent fund type.

City of Negaunee, Michigan
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
December 31, 2005

	Special Revenue Funds	Permanent Funds Cemetery Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 207,889	\$ 90,709	\$ 298,598
Accounts receivable, net	-	-	-
Due from other governmental units	59,337	-	59,337
TOTAL ASSETS	<u>\$ 267,226</u>	<u>\$ 90,709</u>	<u>\$ 357,935</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Cash overdraft	\$ 42,153	\$ -	\$ 42,153
Accounts payable	68,008	-	68,008
Due to other funds	15,328	-	15,328
TOTAL LIABILITIES	<u>125,489</u>	<u>-</u>	<u>125,489</u>
FUND BALANCE:			
Reserved for:			
Cemetery Trust	-	90,709	90,709
Unreserved, reported in:			
Special revenue funds	141,737	-	141,737
TOTAL FUND BALANCE	<u>141,737</u>	<u>90,709</u>	<u>232,446</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 267,226</u>	<u>\$ 90,709</u>	<u>\$ 357,935</u>

City of Negaunee, Michigan
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	Special Revenue Funds	Permanent Fund Cemetery Trust Fund	Total
REVENUES:			
State sources	\$ 511,536	\$ -	\$ 511,536
Contributions - other	2,792	-	2,792
Investment income	1,629	1,967	3,596
Other revenue	50,070	2,665	52,735
TOTAL REVENUES	<u>566,027</u>	<u>4,632</u>	<u>570,659</u>
EXPENDITURES:			
Current operations:			
Public works	880,433	-	880,433
Public health and safety	3,639	-	3,639
Library	4,388	-	4,388
Community development	211,982	2,980	214,962
TOTAL EXPENDITURES	<u>1,100,442</u>	<u>2,980</u>	<u>1,103,422</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(534,415)</u>	<u>1,652</u>	<u>(532,763)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	476,612	-	476,612
Transfers out	(97,400)	-	(97,400)
TOTAL OTHER FINANCING SOURCES (USES)	<u>379,212</u>	<u>-</u>	<u>379,212</u>
CHANGE IN FUND BALANCE	<u>(155,203)</u>	<u>1,652</u>	<u>(153,551)</u>
Fund balance, beginning of year	<u>296,940</u>	<u>89,057</u>	<u>385,997</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 141,737</u></u>	<u><u>\$ 90,709</u></u>	<u><u>\$ 232,446</u></u>

City of Negaunee, Michigan
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
December 31, 2005

		Major Streets Fund	Local Streets Fund	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Total
ASSETS								
Cash and cash equivalents	\$	-	\$	-	\$	4,307	\$	207,889
Accounts receivable, net		-	-	-	-	-	-	-
Due from other governmental units		42,380	16,957	-	-	-	-	59,337
TOTAL ASSETS	\$	42,380	\$ 16,957	\$ 36,357	\$ 4,307	\$ 2,365	\$ 164,860	\$ 267,226
LIABILITIES AND FUND BALANCE								
LIABILITIES:								
Cash overdraft	\$	40,524	\$ 1,629	-	\$	-	\$	42,153
Accounts payable		-	-	-	-	-	68,008	68,008
Due to other funds		-	15,328	-	-	-	-	15,328
TOTAL LIABILITIES		40,524	16,957	-	-	-	68,008	125,489
FUND BALANCE:								
Designated		-	-	-	-	-	5,000	5,000
Undesignated		1,856	-	36,357	4,307	2,365	91,852	136,737
TOTAL FUND BALANCE		1,856	-	36,357	4,307	2,365	96,852	141,737
TOTAL LIABILITIES AND FUND BALANCE	\$	42,380	\$ 16,957	\$ 36,357	\$ 4,307	\$ 2,365	\$ 164,860	\$ 267,226

City of Negaunee, Michigan
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	Major Streets Fund	Local Streets Fund	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Total
REVENUES:							
State sources	\$ 332,817	\$ 170,362	\$ 6,334	\$ 2,023	\$ -	\$ -	\$ 511,536
Contributions - other	-	-	1,092	-	1,700	-	2,792
Investment income	881	-	748	-	-	-	1,629
Other revenues	-	-	-	-	-	50,070	50,070
TOTAL REVENUES	333,698	170,362	8,174	2,023	1,700	50,070	566,027
EXPENDITURES:							
Current operations:							
Public works	333,459	546,974	-	-	-	-	880,433
Public health and safety	-	-	-	1,986	1,653	-	3,639
Library:							
Books and magazines	-	-	1,221	-	-	-	1,221
Dues and subscriptions	-	-	3,167	-	-	-	3,167
Community development	-	-	-	-	-	211,982	211,982
TOTAL EXPENDITURES	333,459	546,974	4,388	1,986	1,653	211,982	1,100,442
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	239	(376,612)	3,786	37	47	(161,912)	(534,415)
OTHER FINANCING SOURCES:							
Transfers in	-	376,612	-	-	-	100,000	476,612
Transfers (out)	(55,000)	-	-	-	-	(42,400)	(97,400)
TOTAL OTHER FINANCING SOURCES	(55,000)	376,612	-	-	-	57,600	379,212
CHANGES IN FUND BALANCE	(54,761)	-	3,786	37	47	(104,312)	(155,203)
Fund balance, beginning of year	56,617	-	32,571	4,270	2,318	201,164	296,940
FUND BALANCE, END OF YEAR	\$ 1,856	\$ -	\$ 36,357	\$ 4,307	\$ 2,365	\$ 96,852	\$ 141,737

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final	Actual	Final Budget	2004
	Budget	GAAP	Positive	Actual
		Basis	(Negative)	
REVENUES:				
State sources:				
Motor vehicle highway gas and weight tax	\$ 278,900	\$ 272,618	\$ (6,282)	\$ 285,710
Highway maintenance contract	53,200	60,199	6,999	60,997
Investment income	1,800	881	(919)	1,409
TOTAL REVENUES	333,900	333,698	(202)	348,116
EXPENDITURES:				
MAJOR STREET:				
Administration, Engineering and Records:				
Personal services	10,350	10,324	26	10,110
Surface:				
Personal services	6,300	5,840	460	18,940
Social security	490	447	43	1,449
Retirement	1,150	1,068	82	3,148
Supplies	1,400	1,379	21	8,577
Equipment rental	2,500	2,487	13	22,734
Total Surface	11,840	11,221	619	54,848
Sweeping and Flushing:				
Personal services	5,800	5,653	147	4,749
Social security	390	433	(43)	363
Retirement	935	998	(63)	798
Equipment rental	18,400	18,363	37	12,709
Total Sweeping and Flushing	25,525	25,447	78	18,619
Tree Trimming:				
Personal services	1,600	1,578	22	3,249
Social security	125	121	4	249
Retirement	300	281	19	546
Supplies	500	160	340	61
Equipment rental	2,000	1,411	589	1,364
Total Tree Trimming	4,525	3,551	974	5,469
Storm Drains, Curb and Gutter:				
Personal services	14,200	14,171	29	4,694
Social security	1,145	1,084	61	359
Retirement	2,525	2,559	(34)	789
Supplies	6,200	6,206	(6)	1,069
Equipment rental	13,700	13,661	39	2,528
Total Storm Drains, Curb and Gutter	37,770	37,681	89	9,439
Traffic Signs and Pavement Markings:				
Personal services	3,100	2,699	401	3,419
Social security	240	206	34	262
Retirement	570	493	77	575
Supplies	1,000	288	712	593
Equipment rental	1,000	306	694	335
Total Traffic Signs and Pavement Markings	5,910	3,992	1,918	5,184

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final	Actual	Final Budget	2004
	Budget	GAAP	Positive	Actual
		Basis	(Negative)	
Winter Maintenance:				
Personal services	\$ 29,800	\$ 29,748	\$ 52	\$ 45,230
Social security	2,900	2,276	624	3,460
Retirement	5,450	5,378	72	7,601
Supplies	14,300	14,283	17	15,246
Equipment rental	81,000	81,345	(345)	109,952
Total Winter Maintenance	133,450	133,030	420	181,489
Employee benefits	38,200	38,155	45	39,643
TOTAL MAJOR STREET	267,570	263,401	4,169	324,801
TRUNKLINE:				
Administration, Engineering and Records:				
Personal services	7,000	6,978	22	6,860
Routine Maintenance:				
Personal services	1,000	32	968	-
Social security	76	2	74	-
Retirement	184	6	178	-
Supplies	200	17	183	-
Equipment rental	900	15	885	923
Total Routine Maintenance	2,360	72	2,288	923
Roadside Operations:				
Personal services	3,300	2,633	667	5,007
Social security	216	201	15	383
Retirement	512	466	46	840
Supplies	2,000	1,876	124	1,509
Equipment rental	2,800	2,231	569	5,955
Total Roadside Operations	8,828	7,407	1,421	13,694
Traffic Signs and Pavement Markings:				
Personal services	756	-	756	-
Supplies	2,000	1,940	60	1,841
Equipment rental	100	-	100	-
Total Traffic Signs and Pavement Markings	2,856	1,940	916	1,841
Winter Maintenance:				
Personal services	10,300	10,056	244	9,220
Social security	650	769	(119)	705
Retirement	1,755	1,832	(77)	1,550
Supplies	4,900	4,878	22	2,922
Equipment rental	27,100	27,141	(41)	25,277
Total Winter Maintenance	44,705	44,676	29	39,674

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
Employee benefits	\$ 9,000	\$ 8,985	\$ 15	\$ 6,610
TOTAL TRUNKLINE	74,749	70,058	4,691	69,602
TOTAL EXPENDITURES	342,319	333,459	8,860	394,403
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,419)	239	8,658	(46,287)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	(75,000)	(55,000)	20,000	(71,000)
TOTAL OTHER FINANCING SOURCES (USES)	(75,000)	(55,000)	20,000	(71,000)
CHANGE IN FUND BALANCE	(83,419)	(54,761)	28,658	(117,287)
Fund balance, beginning of year	56,617	56,617	-	173,904
FUND BALANCE, END OF YEAR	\$ (26,802)	\$ 1,856	\$ 28,658	\$ 56,617

City of Negaunee, Michigan
LOCAL STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
REVENUES:				
State sources:				
Motor vehicle highway gas and weight tax	\$ 175,000	\$ 170,362	\$ (4,638)	\$ 208,498
Investment income	-	-	-	-
TOTAL REVENUES	175,000	170,362	(4,638)	208,498
EXPENDITURES:				
Administration, Engineering and Records:				
Personal services	10,700	10,724	(24)	10,511
Routine Maintenance:				
Personal services	24,600	24,344	256	19,494
Social security	1,775	1,862	(87)	1,491
Retirement	4,350	4,360	(10)	3,222
Supplies	8,500	8,697	(197)	6,759
Equipment rental	35,000	34,962	38	23,023
Total Routine Maintenance	74,225	74,225	-	53,989
Sweeping and Flushing:				
Personal services	8,600	8,562	38	3,894
Social security	640	655	(15)	298
Retirement	1,475	1,507	(32)	648
Equipment rental	31,900	31,874	26	12,756
Total Sweeping and Flushing	42,615	42,598	17	17,596
Tree Trimming:				
Personal services	9,000	9,050	(50)	7,219
Social security	690	692	(2)	552
Retirement	1,740	1,701	39	1,211
Supplies	-	-	-	315
Equipment rental	11,200	11,174	26	7,030
Total Tree Trimming	22,630	22,617	13	16,327
Storm Drains, Curb and Gutter:				
Personal services	22,800	22,244	556	12,554
Social security	1,625	1,702	(77)	960
Retirement	4,040	4,041	(1)	2,102
Supplies	6,000	6,438	(438)	145
Equipment rental	20,500	20,532	(32)	6,440
Total Storm Drains, Curb and Gutter	54,965	54,957	8	22,201
Traffic Signs and Pavement Markings:				
Personal services	6,900	6,794	106	3,946
Social security	530	520	10	302
Retirement	1,210	1,242	(32)	663
Supplies	1,100	1,119	(19)	1,064
Equipment rental	1,200	1,224	(24)	785
Total Traffic Signs and Pavement Markings	10,940	10,899	41	6,760

City of Negaunee, Michigan
LOCAL STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2004 Actual
Winter Maintenance:				
Personal services	\$ 64,600	\$ 63,694	\$ 906	\$ 60,990
Social security	4,130	4,873	(743)	4,666
Retirement	11,900	11,907	(7)	10,320
Supplies	12,000	12,123	(123)	8,296
Equipment rental	162,500	162,486	14	141,634
Total Winter Maintenance	255,130	255,083	47	225,906
Employee benefits	75,900	75,871	29	49,013
TOTAL EXPENDITURES	547,105	546,974	131	402,303
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(372,105)	(376,612)	(4,507)	(193,805)
OTHER FINANCING SOURCES (USES):				
Transfers in	372,105	376,612	4,507	193,805
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	372,105	376,612	4,507	193,805
CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

City of Negaunee, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

City of Negaunee, Michigan
SEWER UTILITY FUND
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 749,004	\$ 758,377
Restricted assets - cash	2,340,147	2,325,702
Accounts receivable	83,082	81,651
Allowance for uncollectible accounts	(3,300)	(3,300)
Special assessment receivable	408	451
Unamortized bond issuance costs	<u>78,797</u>	<u>82,549</u>
TOTAL CURRENT ASSETS	<u>3,248,138</u>	<u>3,245,430</u>
Noncurrent Assets:		
Construction in progress	1,033,730	52,466
Land	40,000	-
Property, plant and equipment	8,514,968	8,285,170
Accumulated depreciation	<u>(5,346,540)</u>	<u>(5,143,395)</u>
TOTAL NONCURRENT ASSETS	<u>4,242,158</u>	<u>3,194,241</u>
TOTAL ASSETS	<u>7,490,296</u>	<u>6,439,671</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	12,311	5,701
Accrued salaries	4,517	4,319
Accrued sick and vacation leave	26,875	24,125
Current portion of long-term debt	<u>85,000</u>	<u>85,000</u>
TOTAL CURRENT LIABILITIES	<u>128,703</u>	<u>119,145</u>
Noncurrent Liabilities:		
Deferred amounts on refunding	(177,848)	(191,498)
Revenue bonds payable	<u>2,615,000</u>	<u>2,700,000</u>
TOTAL NONCURRENT LIABILITIES	<u>2,437,152</u>	<u>2,508,502</u>
TOTAL LIABILITIES	<u>2,565,855</u>	<u>2,627,647</u>
NET ASSETS		
Invested in capital assets net of related debt	1,542,158	409,241
Net Assets:		
Restricted for debt service	226,000	226,000
Unrestricted	<u>3,156,283</u>	<u>3,176,783</u>
TOTAL NET ASSETS	<u>\$ 4,924,441</u>	<u>\$ 3,812,024</u>

City of Negaunee, Michigan
SEWER UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
Sewer permits and revenues	\$ 850,501	\$ 860,303
Municipal departments	5,258	5,999
Other operating revenues	15,149	3,651
TOTAL OPERATING REVENUES	<u>870,908</u>	<u>869,953</u>
OPERATING EXPENSES:		
Provision for depreciation	203,145	195,024
Customer accounting and collection	32,231	29,727
Administrative and general	152,308	169,628
Sewage, sanitary and storm sewers	101,849	86,109
Wastewater treatment plant	330,594	330,760
TOTAL OPERATING EXPENSES	<u>820,127</u>	<u>811,248</u>
OPERATING INCOME (LOSS)	<u>50,781</u>	<u>58,705</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	38,279	24,974
Interest expense on bonds	(135,210)	(137,360)
TOTAL NONOPERATING (EXPENSES)	<u>(96,931)</u>	<u>(112,386)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(46,150)</u>	<u>(53,681)</u>
Capital contributions	1,158,567	-
CHANGE IN NET ASSETS	<u>1,112,417</u>	<u>(53,681)</u>
Net assets, beginning of year	<u>3,812,024</u>	<u>3,865,705</u>
NET ASSETS, END OF YEAR	<u><u>\$ 4,924,441</u></u>	<u><u>\$ 3,812,024</u></u>

City of Negaunee, Michigan
SEWER UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 854,371	\$ 858,765
Other operating revenues	15,149	3,651
Cash payments to employees for services	(276,092)	(275,546)
Cash payments for payroll taxes	(20,591)	(20,936)
Cash payments to suppliers for goods and services	<u>(310,741)</u>	<u>(342,662)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>262,096</u>	<u>223,272</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(92,495)	(63,381)
Principal payment on long-term bonds	(85,000)	(80,000)
Interest paid on long-term bonds	<u>(117,808)</u>	<u>(119,958)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(295,303)</u>	<u>(263,339)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>38,279</u>	<u>24,974</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>38,279</u>	<u>24,974</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,072	(15,093)
Cash and cash equivalents, beginning of year	<u>3,084,079</u>	<u>3,099,172</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,089,151</u></u>	<u><u>\$ 3,084,079</u></u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 749,004	\$ 758,377
Restricted assets - cash	<u>2,340,147</u>	<u>2,325,702</u>
Total Cash and Cash Equivalents per Statement of Net Assets	<u><u>\$ 3,089,151</u></u>	<u><u>\$ 3,084,079</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 50,781	\$ 58,705
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	203,145	195,024
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(1,431)	(7,583)
(Increase) decrease in special assessments receivable	43	46
Increase (decrease) in accounts payable	6,610	(13,516)
Increase (decrease) in payroll liabilities	<u>2,948</u>	<u>(9,404)</u>
NET ADJUSTMENTS	<u>211,315</u>	<u>164,567</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 262,096</u></u>	<u><u>\$ 223,272</u></u>

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,973,076	\$ 1,872,889
Restricted assets - cash	33,159	33,159
Accounts receivable	167,648	166,562
Allowance for uncollectible accounts	(9,700)	(9,700)
Special assessment receivable	<u>1,486</u>	<u>2,481</u>
TOTAL CURRENT ASSETS	<u>2,165,669</u>	<u>2,065,391</u>
Noncurrent Assets:		
Investment in U.P.P.A. Electric Utility	165,472	155,010
Property, plant and equipment	1,761,172	1,761,172
Accumulated depreciation	<u>(1,287,989)</u>	<u>(1,226,977)</u>
TOTAL NONCURRENT ASSETS	<u>638,655</u>	<u>689,205</u>
TOTAL ASSETS	<u>2,804,324</u>	<u>2,754,596</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	124,969	113,431
Accrued salaries	3,871	3,533
Accrued sick and vacation leave	29,041	26,949
Customer deposits payable	<u>226,928</u>	<u>218,496</u>
TOTAL CURRENT LIABILITIES	<u>384,809</u>	<u>362,409</u>
TOTAL LIABILITIES	<u>384,809</u>	<u>362,409</u>
NET ASSETS		
Invested in capital assets net of related debt	473,183	534,195
Net Assets:		
Unrestricted	<u>1,946,332</u>	<u>1,857,992</u>
TOTAL NET ASSETS	<u>\$ 2,419,515</u>	<u>\$ 2,392,187</u>

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
Electric charges	\$ 1,804,381	\$ 1,764,481
Pole line rental	7,478	7,478
Other operating revenues	6,300	11,269
TOTAL OPERATING REVENUES	<u>1,818,159</u>	<u>1,783,228</u>
OPERATING EXPENSES:		
Transmission and distribution	289,441	262,090
Provision for depreciation	61,012	48,841
Customer accounting and collection	49,303	44,771
Administrative and general	113,320	95,081
Services purchased	995,214	985,773
TOTAL OPERATING EXPENSES	<u>1,508,290</u>	<u>1,436,556</u>
OPERATING INCOME (LOSS)	<u>309,869</u>	<u>346,672</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	64,949	35,882
Penalties on delinquent accounts	14,117	12,178
Interest and tax expense	(4,007)	(4,270)
TOTAL NONOPERATING (EXPENSES)	<u>75,059</u>	<u>43,790</u>
INCOME (LOSS) BEFORE TRANSFERS	384,928	390,462
Transfers in	42,400	24,300
Transfers (out)	(400,000)	(300,000)
CHANGE IN NET ASSETS	27,328	114,762
Net assets, beginning of year	<u>2,392,187</u>	<u>2,277,425</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,419,515</u></u>	<u><u>\$ 2,392,187</u></u>

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 1,820,200	\$ 1,784,296
Other operating revenues	6,300	11,269
Cash payments to employees for services	(217,840)	(212,134)
Cash payments for payroll taxes	(16,212)	(16,122)
Cash payments to suppliers for goods and services	(1,199,258)	(1,174,622)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	393,190	392,687
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	(357,600)	(275,700)
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(357,600)	(275,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(10,462)	(138,373)
Interest and tax expense	(4,007)	(4,270)
Penalties on delinquent accounts	14,117	12,178
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(352)	(130,465)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	64,949	35,882
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	64,949	35,882
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,187	22,404
Cash and cash equivalents, beginning of year	1,906,048	1,883,644
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,006,235	\$ 1,906,048
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 1,973,076	\$ 1,872,889
Restricted assets - cash	33,159	33,159
Total Cash and Cash Equivalents per Statement of Net Assets	\$ 2,006,235	\$ 1,906,048
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 309,869	\$ 346,672
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	61,012	48,841
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(1,086)	6,162
(Increase) decrease in special assessments receivable	995	(1,693)
Increase (decrease) in accounts payable	11,538	1,033
Increase (decrease) in payroll liabilities	2,430	(16,196)
Increase (decrease) in customer deposits payable	8,432	7,868
NET ADJUSTMENTS	83,321	46,015
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 393,190	\$ 392,687

City of Negaunee, Michigan
WATER UTILITY FUND
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 637,909	\$ 652,402
Restricted assets - cash	202,550	185,600
Accounts receivable	71,102	73,265
Allowance for uncollectible accounts	(4,300)	(4,300)
Special assessment receivable	<u>274</u>	<u>338</u>
TOTAL CURRENT ASSETS	<u>907,535</u>	<u>907,305</u>
Noncurrent Assets:		
Investment in Joint Water Authority	543,875	543,875
Property, plant and equipment	9,039,611	8,792,544
Accumulated depreciation	<u>(2,004,875)</u>	<u>(1,786,439)</u>
TOTAL NONCURRENT ASSETS	<u>7,578,611</u>	<u>7,549,980</u>
TOTAL ASSETS	<u>8,486,146</u>	<u>8,457,285</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	240,636	13,695
Accrued liabilities	34,441	35,666
Accrued salaries	2,581	1,963
Accrued sick and vacation leave	7,349	10,977
Current portion of long-term debt	<u>191,054</u>	<u>183,587</u>
TOTAL CURRENT LIABILITIES	<u>476,061</u>	<u>245,888</u>
Noncurrent Liabilities:		
Deferred amounts on refunding	(100,626)	(113,204)
Contracts payable	1,419,654	1,581,708
Revenue bonds payable	<u>2,007,000</u>	<u>2,036,000</u>
TOTAL NONCURRENT LIABILITIES	<u>3,326,028</u>	<u>3,504,504</u>
TOTAL LIABILITIES	<u>3,802,089</u>	<u>3,750,392</u>
NET ASSETS		
Invested in capital assets net of related debt	4,998,736	4,941,105
Net Assets:		
Unrestricted	<u>(314,679)</u>	<u>(234,212)</u>
TOTAL NET ASSETS	<u>\$ 4,684,057</u>	<u>\$ 4,706,893</u>

City of Negaunee, Michigan

WATER UTILITY FUND

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

For the Year Ended December 31, 2005

With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
Water charges	\$ 730,450	\$ 742,993
Municipal departments	8,207	6,549
Tapping permits	3,865	2,910
Other operating revenues	3,776	4,254
TOTAL OPERATING REVENUES	<u>746,298</u>	<u>756,706</u>
OPERATING EXPENSES:		
Power and pumping	365	254
Transmission and distribution	107,022	96,120
Provision for depreciation	221,536	222,148
Customer accounting and collection	32,286	30,060
Administrative and general	235,530	256,668
Water meters	18,758	23,224
TOTAL OPERATING EXPENSES	<u>615,497</u>	<u>628,474</u>
OPERATING INCOME (LOSS)	<u>130,801</u>	<u>128,232</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	17,044	8,798
Interest expense on bonds	(170,681)	(170,439)
TOTAL NONOPERATING (EXPENSES)	<u>(153,637)</u>	<u>(161,641)</u>
CHANGE IN NET ASSETS	<u>(22,836)</u>	<u>(33,409)</u>
Net assets, beginning of year	<u>4,706,893</u>	<u>4,740,302</u>
NET ASSETS, END OF YEAR	<u><u>\$ 4,684,057</u></u>	<u><u>\$ 4,706,893</u></u>

City of Negaunee, Michigan
WATER UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 744,749	\$ 742,414
Other operating revenues	3,776	4,254
Cash payments to employees for services	(134,678)	(123,960)
Cash payments for payroll taxes	(9,977)	(9,393)
Cash payments to suppliers for goods and services	(25,375)	(290,325)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>578,495</u>	<u>322,990</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(250,167)	-
Principal payment on long-term bonds	(183,587)	(180,801)
Interest paid on long-term bonds	(159,328)	(155,711)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(593,082)</u>	<u>(336,512)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	17,044	8,798
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>17,044</u>	<u>8,798</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,457	(4,724)
Cash and cash equivalents, beginning of year	838,002	842,726
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 840,459</u></u>	<u><u>\$ 838,002</u></u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 637,909	\$ 652,402
Restricted assets - cash	202,550	185,600
Total Cash and Cash Equivalents per Statement of Net Assets	<u><u>\$ 840,459</u></u>	<u><u>\$ 838,002</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 130,801</u>	<u>\$ 128,232</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	221,536	222,148
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	2,163	(10,108)
(Increase) decrease in special assessments receivable	64	70
Increase (decrease) in accounts payable	226,941	(527)
Increase (decrease) in payroll liabilities	(3,010)	(16,825)
NET ADJUSTMENTS	<u>447,694</u>	<u>194,758</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 578,495</u></u>	<u><u>\$ 322,990</u></u>

City of Negaunee, Michigan
CABLE UTILITY FUND
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 133,603	\$ 104,458
Restricted assets - cash	50,000	50,000
Accounts receivable	34,452	32,608
Allowance for uncollectible accounts	<u>(1,300)</u>	<u>(1,300)</u>
TOTAL CURRENT ASSETS	<u>216,755</u>	<u>185,766</u>
Noncurrent Assets:		
Property, plant and equipment	556,682	556,683
Accumulated depreciation	<u>(503,927)</u>	<u>(494,619)</u>
TOTAL NONCURRENT ASSETS	<u>52,755</u>	<u>62,064</u>
TOTAL ASSETS	<u>269,510</u>	<u>247,830</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	21,300	23,794
Accrued salaries	1,290	1,178
Accrued sick and vacation leave	<u>997</u>	<u>2,881</u>
TOTAL CURRENT LIABILITIES	<u>23,587</u>	<u>27,853</u>
TOTAL LIABILITIES	<u>23,587</u>	<u>27,853</u>
NET ASSETS		
Invested in capital assets net of related debt	52,755	62,064
Net Assets:		
Unrestricted	<u>193,168</u>	<u>157,913</u>
TOTAL NET ASSETS	<u>\$ 245,923</u>	<u>\$ 219,977</u>

City of Negaunee, Michigan
CABLE UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
Cable TV subscriptions	\$ 374,610	\$ 361,778
Home box office	19,830	18,743
Cable TV installation fee	3,315	3,373
Miscellaneous	18,859	10,711
TOTAL OPERATING REVENUES	416,614	394,605
OPERATING EXPENSES:		
Transmission and distribution	77,429	85,453
Provision for depreciation	9,308	9,280
Customer accounting and collection	30,456	26,611
Administrative and general	51,715	54,736
Services purchased	225,029	209,435
TOTAL OPERATING EXPENSES	393,937	385,515
OPERATING INCOME (LOSS)	22,677	9,090
NONOPERATING REVENUES (EXPENSES):		
Interest income	3,269	1,545
TOTAL NONOPERATING REVENUES	3,269	1,545
CHANGE IN NET ASSETS	25,946	10,635
Net assets, beginning of year	219,977	209,342
NET ASSETS, END OF YEAR	\$ 245,923	\$ 219,977

City of Negaunee, Michigan
CABLE UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 395,911	\$ 383,461
Other operating revenues	18,859	10,711
Cash payments to employees for services	(79,962)	(71,710)
Cash payments for payroll taxes	(5,826)	(5,424)
Cash payments to suppliers for goods and services	(303,107)	(295,686)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>25,875</u>	<u>21,352</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(21,570)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(21,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	3,270	1,544
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,270</u>	<u>1,544</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,145	1,326
Cash and cash equivalents, beginning of year	154,458	153,132
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 183,603</u></u>	<u><u>\$ 154,458</u></u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 133,603	\$ 104,458
Restricted assets - cash	50,000	50,000
Total Cash and Cash Equivalents per Statement of Net Assets	<u><u>\$ 183,603</u></u>	<u><u>\$ 154,458</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 22,677	\$ 9,090
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,308	9,280
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(1,844)	(433)
Increase (decrease) in accounts payable	(2,494)	3,882
Increase (decrease) in payroll liabilities	(1,772)	(467)
NET ADJUSTMENTS	<u>3,198</u>	<u>12,262</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 25,875</u></u>	<u><u>\$ 21,352</u></u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Negaunee, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated February 3, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

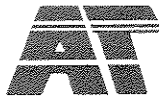
To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 3, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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JOHN W. BLEMBERG, CPA

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MICHIGAN
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WISCONSIN
GREEN BAY
MILWAUKEE

February 3, 2006

To the Honorable Mayor, Members of the
City Council, and the City Manager
City of Negaunee, Michigan 49866

In planning and performing our audit of the financial statements of the City of Negaunee for the year ended December 31, 2005, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

INSTANCES OF NONCOMPLIANCE

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote T.

Unrestricted Net Asset Deficit

The State of Michigan has enacted Public Act 275 of 1980, as amended: Failure to File Reports and Deficit Elimination Plans requiring local units to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition that existed at the end of the previous fiscal year. For reporting fund deficits, the term "fund deficit" is defined as a negative unreserved portion of fund balance for governmental fund types and a negative unrestricted portion of net assets for proprietary fund types.

To the Honorable Mayor, Members of the
City Council and the City Manager
City of Negaunee, Michigan 49866

The City's Water Fund had a deficit in unrestricted net assets of \$314,679 with the fund's total net assets amounting to \$4,684,057. The City was found to be in violation of the legal and contractual provisions of Public Act 275 by not filing a deficit elimination plan within 90 days as a result of this deficit in the Water Fund as of December 31, 2005.

OTHER COMMENTS AND RECOMMENDATIONS

The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

Grant Reporting

The City began administering several grants for its Sanitary Sewage Disposal System during the year. We found a delay in submitting the initial reimbursement requests to the granting agencies which resulted in cash reimbursement for project expenditures not being received until early in 2006. For cash flow purposes, we recommend as administration of the grants progress all reports be submitted timely to ensure cash reimbursement is received.

Consulting Services

The City has expenditures in the Economic Development Fund for consulting services for the purpose of aiding the City in obtaining federal funding for the Wastewater Treatment Plant improvements. Federal funding cannot be used to cover the expenditures related to this type of consulting services. We noted the City used its own funding to cover these consulting expenditures in 2004 and 2005. If the City continues to incur these services in future years, we caution the City not to submit these expenditures to a federal agency for reimbursement. These services must continue to be paid for with City funds.

Funding Depreciation – Enterprise Funds

In reviewing the City's Enterprise Funds it appears they are stabilizing and are accumulating cash resources. It is not uncommon for these types of funds to begin to set aside funds for future improvements, enlargements, or extensions of the existing systems. We suggest you consider this concept as you look at the future needs of your utility systems. A convenient method to accomplish this is to begin to fund the depreciation provision for future improvement needs as depreciation expense is a non-cash item.

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This report is intended solely for the information and use of the City's management, and others within the City Administration. We appreciate and would like to thank the City's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

**CITY OF NEGAUNEE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2005**

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Anderson, Tackman & Company, PLC

Certified Public Accountants
Marquette, Michigan 906-225-1166
E-Mail – ATCOMQT@ATCOMQT.COM
Fax – 1-906-225-1714

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Negaunee, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated February 3, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item number 05-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 3, 2006



Anderson, Tackman & Company, PLC

Certified Public Accountants
Marquette, Michigan 906-225-1166
E-Mail – ATCOMQT@ATCOMQT.COM
Fax – 1-906-225-1714

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

Compliance

We have audited the compliance of the City of Negaunee, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City of Negaunee, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Negaunee, Michigan's management. Our responsibility is to express an opinion on the City of Negaunee, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Negaunee, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not

Honorable Mayor, Members of the City
Council and the City Manger of the
City of Negaunee, Michigan 49866

provide a legal determination on the City of Negaunee, Michigan's compliance with those requirements.

In our opinion, the City of Negaunee, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City of Negaunee, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one ore more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of City of Negaunee, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 3, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City of Negaunee, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial

Honorable Mayor, Members of the City
Council and the City Manger of the
City of Negaunee, Michigan 49866

statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 3, 2006

City of Negaunee, Michigan
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2005

Federal Grantor/Pass Through Grantor Program Title		Federal C.F.D.A. Number	Project Number	Award Amount	Federal Expenditures
U.S. Department of Defense:					
Direct Award:					
Environmental Infrastructure Assistance Project-Wastewater Improvements (Section 219(f)(60) of Water Resources Development Act of 1992)		12.XXX	N/A	\$ 8,375,026	\$ 390,241
Total U.S. Department of Defense					390,241
U.S. Environmental Protection Agency:					
Direct Award:					
City of Negaunee Wastewater System Improvements-Special Appropriation Act 2002		66.606	XP-97591701-0	2,910,000	488,889
Total U.S. Environmental Protection Agency					488,889
U.S. Department of Homeland Security					
Direct Award:					
FEMA Assistance to Firefighters		97.044	EMW-2004-FG-01823	67,329	67,329
Total U.S. Department of Homeland Security					67,329
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$	946,459

CITY OF NEGAUNEE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Negaunee, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's federal financial assistance.

CITY OF NEGAUNEE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified
- Internal control over financial reporting:
 - No material weaknesses were identified.
 - No reportable conditions not considered to be material weaknesses were identified
- Noncompliance items material to the financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - No material weaknesses were identified.
 - No reportable conditions not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None.

Major Programs

- CFDA #12.XXX, Environmental Infrastructure Assistance Project-Wastewater Improvements and CFDA #66.606 City of Negaunee Wastewater System Improvements-Special Appropriation Act 2002
- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? No.

Section II - Financial Statement Findings

- The following noncompliance item was noted:

05-1 Condition: The City was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote T of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the City is in violation of Public Act 621 and there is a potential negative impact on the financial position.

CITY OF NEGAUNEE, MICHIGAN
SCHEDULE FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2005

Recommendation: The City should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

Section III - Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified.

CITY OF NEGAUNEE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

There were no prior year findings or questioned costs relating to
the City's major programs.